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PART I.

CORRESPONDENCE

RESPECTING THE

FINANCES OF TURKEY.

(In continuation of Part III, "Correspondence respecting Ottoman Loans,"
Confidential Paper No. 4250.)

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CONFIDENTIAL.

Correspondence respecting the Finances of Turkey.

Part I.

(In continuation of Part III, "Correspondence respecting Ottoman Loans," Confidential Paper No. 4250.)

No. 1.

Lord F. Cavendish to Lord Tenterden.—(Received August 7.)

Treasury Chambers, August 6, 1880.

My Lord,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to request that you will inform Earl Granville that the Turkish Government has again failed to make sufficient provision for the dividend on the Imperial Ottoman Guaranteed Loan of 1855.

Directions have been given for the issue of the sum deficient, 41,448*l.* 11*s.* 2*d.*, out of the Consolidated Fund, in discharge of the liability of the French and English Governments in respect of that loan, and I am to request you to move Lord Granville to inform the French Government. It will probably be necessary to formally require the Porte to fulfil its engagement, though that summons appears to have degenerated into an idle form, since the Porte, as far as my Lords are aware, no longer even offers an apology for the non-fulfilment of its engagements.

I am, &c.

(Signed) F. CAVENDISH.

No. 2.

Mr. Guedalla to Earl Granville.—(Received August 16.)

12, *Talbot Square, Hyde Park, August* 16, 1880.

My Lord,

AS Chairman of the English Committee of the Turkish Bondholders of the 5 per Cent. 1865-73, allow me to point out to your Lordship that the gross revenue of the provinces which it is proposed to transfer to Greece by the Berlin Conference amounts to upwards of 500,000*l.* per annum, from which the expenditure of collection must be deducted. I trust the Powers will insist on Greece assuming that part of the Turkish debt which reasonably constitutes a fair average income. This, together with the sums to be received from Bulgaria and Servia under the provisions of the Berlin Treaty, might be set apart for the guarantee of a preference stock to be handed over to the holders of Turkish bonds in part payment of their claims. Such sums ought to constitute at all times a first charge on the Budget of Greece and that of the others, besides bearing a sort of sanction of the European Powers. This would much facilitate

the settlement of Turkish financial difficulties, so important to the English holders of upwards of 65,000,000*l.* of Turkish bonds.

I remain, &c.
(Signed) H. GUEDALLA.

No. 3.

Lord F. Cavendish to Lord Tenterden.—(Received August 17.)

My Lord, *Treasury Chambers, August* 16, 1880.

I AM directed by the Lords Commissioners of Her Majesty's Treasury to forward to you herewith, to be laid before Earl Granville, copies of a letter from the Bank of England, dated the 11th instant, of its inclosure, and of the reply which my Lords have caused to be addressed thereto.

My Lords are not aware that any explanation has been received from the Turkish Government on the subject of their non-fulfilment of their obligations; and they would suggest that a copy of the letter should be forwarded to the Turkish Ambassador, and that he should be asked whether he addressed his request to the Bank in order to apply any funds which the Bank might give up in liquidation of the debt due to the Guaranteeing Governments.

I am, &c.
(Signed) F. CAVENDISH.

Inclosure 1 in No. 3.

Mr. Baly to the Secretary to the Treasury.

Sir, *The Bank of England, August* 11, 1880.

I AM directed to hand you herewith a copy of a letter received from Etienne Musurus Bey, Chargé d'Affaires of the Imperial Ottoman Embassy, requesting the Bank to make arrangements for the repayment to the Imperial Ottoman Government of the amount of overdue and unpaid dividends and drawn bonds of the Guaranteed Loan of 1855.

With regard thereto, I am to state that the interest on the loan being guaranteed by Her Majesty's Government, the Bank consider that they cannot comply with the request except with the consent of Her Majesty's Treasury, as in the event of any overdue coupons being presented for payment in the absence of funds to meet them, they would become a claim upon Her Majesty's Government under the guarantee. I am to add that the bonds do not contain any clause limiting the time in which the coupons should be presented.

I am, &c.
(Signed) E. E. BALY, *Deputy Chief Cashier.*

Inclosure 2 in No. 3.

Musurus Bey to Mr. May.

Sir, *Imperial Ottoman Embassy, London, August* 10, 1880.

HAVING received instructions from the Imperial Government to make arrangements with the Bank of England for the return to the Imperial Treasury of the sums in the hands of the Bank arising from the unclaimed dividends and drawn bonds of the Imperial Loan of 1855, I request you to have the kindness to inform me of the amount thereof, and also enable me to execute the above-mentioned instructions of my Government.

I have, &c.
(Signed) ET. MUSURUS.

Inclosure 3 in No. 3.

Lord F. Cavendish to the Governor and Deputy Governor of the Bank of England.

Gentlemen, *Treasury Chambers, August* 13, 1880.

I AM directed by the Lords Commissioners of Her Majesty's Treasury to acknowledge the receipt of Mr. Baly's letter of the 11th instant, stating that the Turkish Government has applied for payment to them of overdue and unpaid dividends and drawn bonds of the Guaranteed loan of 1855, and I am to say that, considering the Turkish Government now owes upwards of 100,000*l.* on account of the interest on this loan, my Lords must decline to consent to any payment to the Turkish Government which would in fact be made out of moneys provided by this country and France.

My Lords would be glad to know what sums, if any, are in your hands on account (*a*) of overdue and unpaid dividends on this loan; (*b*) of bonds drawn but not offered for redemption.

I am, &c.
(Signed) F. CAVENDISH.

No. 4.

Earl Granville to Mr. Adams.

(No. 1134.)

Sir, *Foreign Office, August* 18, 1880.

WITH reference to Lord Salisbury's despatch to Lord Lyons No. 201 of the 1st March last, I have to state to you that I have been informed by the Lords Commissioners of Her Majesty's Treasury that the Turkish Government has again failed to make sufficient provision for the dividend on the Imperial Ottoman Guaranteed Loan of 1855, and that directions have been given for the issue of the sum deficient, viz., 41,448*l.* 11*s.* 2*d.*, out of the Consolidated Fund in discharge of the liability of the English and French Governments in respect of that loan.

I have to request that you will inform the French Government to the above effect, and will state that Her Majesty's Government have begged M. Musurus to bring this matter to the knowledge of his Government, and to inform me in due time of the steps which they propose to take for the repayment of the sums thus advanced.

I am, &c.
(Signed) GRANVILLE.

No. 5.

Earl Granville to Musurus Bey.

M. le Chargé d'Affaires, *Foreign Office, August* 18, 1880.

BY a note dated the 1st March last my predecessor called the attention of Musurus Pasha to the fact that no provision had been made for the payment of the interest due on the Imperial Ottoman Guaranteed Loan of 1855, and requested that steps might be taken for the repayment of the sum of 76,304*l.* which had been advanced from the Bank of England. That sum has since been reduced by the surplus of the arrears paid up in May last by the Egyptian Government to 61,002*l.* 2*s.* 6*d.*, which still remains due on account of the February dividend, and I now regret to inform you that I have received from the Board of Treasury an intimation that there has again been a failure on the part of the Turkish Government to provide for the dividend accruing on the 1st instant, and that instructions have been given for the issue from the Consolidated Fund of a further sum of 41,448*l.* 11*s.* 2*d.* in discharge of the liability of the English and French Governments in respect of the loan.

I have to request you to be good enough to bring the above to the knowledge of your Government, and to inform me in due time of the steps which they propose to take for the repayment of the sums so advanced.

I am, &c.
(Signed) GRANVILLE.

No. 6.

Lord Tenterden to Mr. Guedalla.

Sir, *Foreign Office, August* 24, 1880.

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 16th instant, referring, on behalf of the English Committee of the Turkish bondholders of the 1865-73 Loan, to the share of the Turkish debt which should be borne by Greece on her entering into possession of the territory awarded to her by the Conference of Berlin.

I am, &c.
(Signed) TENTERDEN.

No. 7.

Musurus Bey to Earl Granville.—(Received August 30.)

My Lord, *Ambassade Impériale Ottomane, Londres, le* 28 *Août*, 1880.

J'AI l'honneur d'accuser réception de la note que votre Excellence m'a adressée sous la date du 18 de ce mois et par laquelle, en m'informant que, outre la somme de 61,002*l.* 2*s.* 6*d.* qui reste encore due par le Gouvernement Impérial pour le service des intérêts de l'Emprunt Garanti de 1855 échus le 1er Février, une nouvelle somme de 41,448*l.* 11*s.* 2*d.*, prise sur les fonds consolidés, a été avancée par les Gouvernements garants d'Angleterre et de France pour faire face au service du dividende du susdit emprunt échu le 1er de ce mois, votre Excellence me demande de porter ce qui précède à la connaissance de la Sublime Porte, et de l'informer des mesures que le Gouvernement Impérial se propose de prendre pour le remboursement des sommes susmentionnées.

Je me suis fait un devoir de communiquer cette note de votre Excellence à mon Gouvernement, et dès que j'aurai reçu une réponse je ne manquerai pas d'en faire part à votre Excellence.

J'ai, &c.
(Signé) ET. MUSURUS.

No. 8.

Mr. Goschen to Earl Granville.—(Received October 5.)

(Extract.) *Therapia, September* 28, 1880.

I SHOULD be glad if your Lordship would be good enough to let me be informed as to the opinion of Her Majesty's Government with regard to the question of the tributes due in respect of territory ceded under the Treaty of Berlin. When the financial situation of the Porte comes under the consideration of the Powers, as it must do very shortly, it will be essential to know how the financial questions, as regards both debt and tribute, pending between Turkey and some of the emancipated States and provinces, are to be dealt with.

No. 9.

Extract from Note from the Porte of October 3, *inclosed in Mr. Goschen's No.* 423 *of October* 5.—(*Received at the Foreign Office, October* 10.)

LA Sublime Porte invitera directement et par le canal de ses Représentants à l'étranger, les Délégués de porteurs des titres de la Dette Publique Ottomane à se rendre à Constantinople pour s'entendre avec le Gouvernement Impérial Ottoman sans aucune ingerénce de la part des Puissances, sur le service de la dette susdite, ainsi que sur la question de l'indemnité Russe, et pour délibérer sur les conditions d'un arrangement équitable à cet égard. Ces conditions se résument ainsi qu'il suit:

Une fois l'entente établie entre le Gouvernment et les Délégués des porteurs, ces derniers désigneront une banque qui fonctionnera au lieu et place de l'Administration

des six Contributions Indirectes ("Roussnune Sitté"). Le nouvel établissement financier devra gérer les revenus que l'Administration des six Contributions encaisse jusqu'à ce jour.

De même, en cas d'une modification des Traités de Commerce, dans le sens de l'augmentation des droits de Douane actuels de 8 pour cent, la différence entre ces 8 pour cent et le chiffre de l'augmentation future, ainsi que l'excédant de revenus qui devra résulter de l'application générale de la loi sur les patentes, comparativement aux recettes de l'impôt du "temetta" (income tax), enfin, les redevances de la Roumélie Orientale et de Chypre, ainsi que le tribut de la Bulgarie et une partie de l'excédant qui se produirait au fur et à mesure de l'augmentation des revenus actuels de l'Etat seront également affectés au payement des intérêts et à l'amortissement de la Dette Publique de l'Empire. La dette flottante et l'indemnité de guerre à payer au Gouvernement Russe feront de même partie du même arrangement.

L'Administration des six Contributions et des revenus à ajouter qui viennent d'être énumérés, ainsi que le mode de leur payement pour le service de la dette, seront dévolus à la banque choisie par les Délégués det détenteurs. Toutefois, le Gouvernement aura le droit de contrôler les revenus en question et, en particulier, la gestion des six Contributions.

No. 10.

Mr. Goschen to Earl Granville.—(Received October 15.)

(No. 436.)

My Lord, *Therapia, October* 8, 1880.

IN continuation of my despatch No. 423, I beg to address the following observations to your Lordship on the note of the Porte dated the 3rd October, which relates to finance.

The character of the proposals made in this respect will not have escaped your Lordship's notice.

Representatives of the bondholders are to be summoned to Constantinople, in order to come to an understanding with the Porte as regards some arrangement for the Turkish Debt—an arrangement which is to include the Russian indemnity; but all diplomatic action on the subject is to be excluded ("sans l'ingérence des Puissances"). When an understanding shall have been arrived at, the representatives of the creditors are to name a bank, to whom the administration of the so-called six Indirect Contributions and the revenues arising from certain other assets—some of which, however, are of a very problematical character—are to be transferred.

The six indirect imposts were, as your Lordship is aware, pledged in November last to a syndicate of bankers, and a separate Administration organized for their collection. In the Convention which embodied the conditions under which the arrangement took place it is said that the Imperial Government reserves the right of annulling the Convention, but only on two conditions, described as "essential" and "peremptory," namely, firstly, the entire repayment of capital and interest to the syndicate of bankers, and, secondly, a better arrangement for creditors generally.

As the sum still due to the syndicate is about £ T. 8,000,000, it is evident that one of the two conditions could certainly not be fulfilled.

No word is said in explanation of the apparent breach of contract. The Convention is quietly set aside.

I have ascertained that, up till yesterday, no communication had been made to the "Administration des Six Contributions Indirectes" or to the Ottoman Bank as to the proposal made to the Powers in the note.

Such is the conduct of the Porte towards the syndicate. With regard to the bondholders, your Lordship will observe that scarcely anything is offered to them which is not either pledged to other parties or as yet beyond the power of the Porte. The Ottoman Government surrender no share of their present assets. They offer:—

1. The six Indirect Contributions, the chief proportion of which is now received for the benefit of the syndicate of bankers, while the rest is already set apart for the creditors.

2. An increase in the custom duties which is only possible if the Powers assent to modifications in their Treaties of Commerce.

3. Any augmentation in the revenue which will arise from the substitution of an income tax for the licence tax, though the Porte must be aware that some of the

Powers are likely to dispute the right of the Porte to make such a change under the Capitulations.

4. The sums payable by Eastern Roumelia and Cyprus and the tribute payable by Bulgaria, the Porte probably presuming that the safest way to secure the tributes of Roumelia and Bulgaria would be to give them to foreign creditors, while as to the annuity from Cyprus, the Turkish Government probably desires to forestall any possible set-off which the English Government might be disposed to make as against debts long overdue by the Porte to itself.

Lastly. A perfectly undefined portion of any future increment of general revenue which may occur.

The flimsy character of the promises thus made to the creditors of the Porte is obvious enough. The motive for making them is not less self-evident.

The Convention made by the Porte in November last with the syndicate of bankers was strongly attacked by the representatives of the bondholders. Securities originally pledged to the bondholders, but the revenues of which had for some years been confiscated for the uses of the Government, were assigned as security for advances made during the war, and a great outcry was raised. Accordingly, the Porte seems now to hope that, by cancelling the November Convention in favour of the general bondholders, they may secure some support amongst the latter; and they may further be under the belief that a powerful body of creditors may bring pressure to bear on the Powers to accept the general programme of the Porte, as it is only in the event of that acceptance that the proposals, such as they are, made in favour of the creditors, are to take effect.

Not the least singular point in this part of the Turkish note is the introduction of the Russian indemnity, which, however, under the terms of the note, is to be settled without the intervention of the Powers.

The note entirely ignores the 18th Protocol of the Berlin Congress, which contemplates the appointment of a Financial Commission, composed of specialists named by their respective Governments, which Commission should be charged to examine into the complaints of the bondholders of the Ottoman debt, and to propose the most efficacious means for satisfying them as far as is compatible with the financial situation of the Porte. Indeed, the phrase with reference to "the interference of the Powers" is a tacit protest against the recommendations of the Protocol.

But Her Majesty's Government will probably consider that the best answer to give to the note of the Porte as regards financial plans will be to refer to the Protocol in question, and to propose the establishment of the Commission recommended therein.

The principle included in the proposals of the Porte, of giving the representatives of the bondholders the administration of certain taxes set apart for their benefit, is advantageous in itself, and it will be right to take note that it has been made.

I have, &c.
(Signed) GEORGE J. GOSCHEN.

No. 11.

Mr. Goschen to Earl Granville.—(*Received October* 24, 8 A.M.)

(No. 329.)
(Telegraphic.) *Therapia, October* 23, 1880, 11·45 P.M.

I UNDERSTAND that Porte has sent instructions to its Agents abroad with reference to inviting bondholders' representatives to Constantinople. Would it not be advisable to consult Cabinets with regard to intervention of Financial Commission, as provided for in Berlin Protocols, so as to be prepared to take steps as soon as Dulcigno question is settled?

No. 12.

Earl Granville to Mr. Goschen.

(No. 718.)
(Telegraphic.) *Foreign Office, October* 25, 1880, 5·30 P.M.

YOUR telegram No. 329 of the 23rd.

The following telegram has been drafted:—

"Ask the Powers to authorize the Representatives to agree upon a joint communication—to be addressed after the cession of Dulcigno—to the Porte, calling for the convocation of the Financial Commission contemplated in the 18th Protocol of the Berlin Congress."

Do you think it advisable to telegraph this? or can you suggest a form?

No. 13.

Earl Granville to Mr. Goschen.

(No. 631. Extender.)
Sir, *Foreign Office, October* 25, 1880.

I TRANSMIT to you herewith a draft of a telegram to Her Majesty's Ambassadors respecting the Financial Commission contemplated by the 18th Protocol of the Berlin Congress,* and I shall be obliged by your Excellency informing me whether you concur in this draft, or can suggest another form of telegram.

I am, &c.
(Signed) GRANVILLE.

No. 14.

Mr. Goschen to Earl Granville.—(*Received October* 26, 8 A.M.)

(No. 333.)
(Telegraphic.) *Therapia, October* 25, 1880, 11·15 P.M.

WITH reference to my telegram No. 329, should not portion of note of the 3rd October relating to finance be answered? The Porte are acting on the note.

If the whole of the note is passed over in silence without protest, I should think it might lead to future difficulties.

No. 15.

E *Lord Lyons to Earl Granville.*—(*Received October* 27.)

(No. 1007.)
My Lord, *Paris, October* 26, 1880.

I HAVE the honour to transmit herewith to your Lordship a notice which has appeared in the "Journal des Débats" of this morning, and which is stated to have been communicated to the French newspapers by the Ottoman Embassy here.

By this notice the Ottoman Embassy officially invites the holders of Turkish stock to choose a certain number of Delegates to go to Constantinople and place themselves in direct communication with the Ottoman Government in order to come to an arrangement respecting the interest and sinking fund of the Public Debt of the Empire.

The notice then proceeds to state the conditions on which this arrangement is to be founded. These conditions would seem to be in substance nearly the same as those laid down in the note addressed by the Porte to the Representatives of the six Powers at Constantinople on the 3rd of this month.

I have, &c.
(Signed) LYONS.

Inclosure in No. 15.

Extract from the "Journal des Débats" of October 26, 1880.

L'AMBASSADE Ottomane a adressé aux journaux la communication suivante:

"L'Ambassade Ottomane fait officiellement savoir à tous les porteurs de titres de la Dette Publique Ottomane que la Sublime Porte, voulant sans plus de retard arriver à une entente directe avec eux en vue d'arrêter un mode de solution équitable et pratique pour la reprise du paiement des intérêts et de l'amortissement de la dette précitée, invite les porteurs à choisir parmi eux-mêmes un certain nombre de délégués qui, dûment munis de leurs pleins pouvoirs, devront se rendre au plus tôt à Constantinople, à l'effet de se mettre directement en rapport avec le Gouvernement Impérial

* See No. 12.

pour l'arrangement qui vient d'être mentionné et qui devra être fondé sur les conditions et les affectations ci-dessous:

"1. Une fois l'entente établie entre le Gouvernement Ottoman et les délégués des porteurs, ces derniers désigneront une banque qui fonctionnera au lieu et place de l'Administration de six Contributions Indirectes dont les contractants actuels seront remboursés intégralement de leurs créances aux termes de l'Article 13 de leur contrat.

"La banque choisie ainsi par les porteurs devra administrer les six contributions précitées et sera chargée du mode de paiement des revenus de cette administration pour le service de la Dette Publique de l'Empire; le Gouvernement Ottoman se réserve le droit de contrôle général.

"2. En cas d'une modification des Traités de Commerce dans le sens de l'augmentation des droits de douane actuels de 8 pour cent, la différence entre ces 8 pour cent et le chiffre de l'augmentation future sera également affectée au paiement des intérêts et à l'amortissement de la Dette Publique de l'Empire.

"3. Seront aussi affectés à ce même paiement: (*a.*) L'excédant des revenus qui devra résulter de l'application générale de la loi sur les patentes, comparativement aux recettes de l'impôt actuel du 'temettu' ('income tax'); (*b.*) Les redevances de la Roumélie Orientale; (*c.*) Les revenus de Chypre; (*d.*) Le tribut de la Bulgarie; (*e.*) Une partie de l'excédant qui se produirait au fur et à mesure de l'augmentation des revenus actuels de l'Etat.

"La question de la dette flottante et celle de l'indemnité de guerre Russe seront prises en considération à l'occasion de ce nouvel arrangement."

No. 16.

Earl Granville to Lord Lyons.

E. MS.
(No. 1424 A. Confidential.)

Foreign Office, October 28, 1880.

My Lord,

I MENTIONED to the Italian Ambassador some days ago in the course of conversation, that after the passage in the note from the Porte of the 3rd instant proposing negotiations with delegates of the bondholders without the superintendence of the Powers, and after the notice issued by the Porte in pursuance of that proposal, it seemed impossible that the Powers should not take some action in the matter.

I learn from Her Majesty's Ambassador at Rome, that General Menabrea has communicated my observation to the Italian Government, who have instructed their Ambassador at Constantinople to support any representations which Mr. Goschen may be authorized to make.

It had been my intention to await further information which I had requested from Mr. Goschen before making any formal proposition to the Powers, but it may be desirable that your Excellency should sound the French Government upon the subject at once.

I am, &c.
(Signed) GRANVILLE.

No. 17.

Mr. Goschen to Earl Granville.—(*Received October* 29, 10·30 P.M.)

(No. 339.)
(Telegraphic.)

Therapia, October 29, 1880, 3·45 P.M.

HAVE bondholders communicated with you? Do you know feeling among them as to Turkish invitation?

[No. 18.

*Earl Granville to Lord Lyons.**

(No. 1424. Extender.)

Foreign Office, October 29, 1880.

My Lord,

HER Majesty's Government are of opinion that the Representatives of the Powers at Constantinople should be authorized by their respective Governments to consult as to the best means and the most favourable moment for calling upon the Porte, after the cession of Dulcigno is effected, for the fulfilment of the recommendation contained in the 18th Protocol of the Berlin Congress, relative to the convocation of the Financial Commission.

You have already been informed by telegraph of Mr. Goschen's suggestion, in which Her Majesty's Government concur, that reference should be made to the Porte having itself raised the question of Public Debt in the note of the 3rd October, and having already issued an invitation to the bondholders.

I have to request that you will ask the Government to which you are accredited whether they are prepared to instruct their Representatives at Constantinople in the above sense.

I am, &c.
(Signed) GRANVILLE.

No. 19.

Mr. Bouverie to Earl Granville.—(*Received October* 30.)

E

Council of Foreign Bondholders,
17, Moorgate Street, London, October 29, 1880.

My Lord,

I HAVE the honour to communicate to your Lordship, for the information of Her Majesty's Ambassador at Constantinople, a copy of a Resolution adopted by the Joint Commissioners for the Ottoman Loans of 1858 and 1862, to whom the Council transmitted the Circular in relation to a Conference on the Public Debt of Turkey, which was this day communicated by the Ottoman Chargé d'Affaires.

I have, &c.
(Signed) E. P. BOUVERIE, *Chairman.*

Inclosure in No. 19.

Resolution of the Joint Commissioners of the Ottoman Loans of 1858 *and* 1862.

THE Commissioners of the 1858 and 1862 Loans having considered the Circular of the Ottoman Government, issued here on the 25th October, 1880, and communicated to them by the Ottoman Embassy of London, cannot recognize any principle of arrangement of the General Debt of Turkey that surrenders the claims of the 1858 and 1862 bondholders to the revenues respectively solemnly hypothecated to them in payment of interest and redemption of those loans; and, while they are willing to entertain any reasonable proposal which respects the special engagements made to themselves, they must respectfully decline to name delegates to represent them at the proposed Conference for the appropriation of the securities to other purposes which are already pledged to themselves.

London, October 29, 1880.

No. 20.

Sir J. Walsham to Earl Granville.—(*Received November* 1.)

(No. 490. Extender.)

Berlin, October 30, 1880.

My Lord,

I INFORMED the Minister for Foreign Affairs to-day that, in the opinion of Her Majesty's Government, the Representatives of the Powers at Constantinople should,

* Also to Mr. Plunkett (No. 557), Sir A. Paget (No. 597), Sir J. Walsham (No. 702), and Sir H. Elliot (No. 719).

as soon as the cession of Dulcigno has been effected, be authorized to take into consideration the best way of raising the question connected with the convocation of the Financial Commission which is contemplated by the 18th Protocol of the Berlin Congress, and also the proper time for bringing it to the notice of the Porte.

His Excellency said that he would at once make known the wishes of Her Majesty's Government to Prince Bismarck, and inform me of the views entertained by his Highness on the subject.

I have, &c.
(Signed) JOHN WALSHAM.

No. 21.

Sir J. Walsham to Earl Granville.—(Received November 1.)

E
(No. 500. Confidential.)
Berlin October 30, 1880.

My Lord,

WITH reference to my despatch No. 499 of to-day, I have the honour to state that when I spoke to the Minister for Foreign Affairs upon the subject of the convocation of the Imperial Commission which is contemplated by the 18th Protocol of the Berlin Congress, I merely told his Excellency that in the opinion of Her Majesty's Government it would be advisable for the Ambassadors at Constantinople, after the cession of Dulcigno, to consult together as to the best mode of bringing the question to the notice of the Porte.

In order, however, to explain to Count Stirum the object which Her Majesty's Government had in view, I mentioned, as if coming from myself, that the question of the Public Debt had been alluded to in the note from the Porte of the 3rd instant, and that as the Porte had recently invited the bondholders to send representatives to Constantinople, it might be necessary to employ the intervention of the Financial Commission, provided for by the Berlin Protocols.

In promising to let Prince Bismarck know at once of the views entertained by Her Majesty's Government, Count Stirum gave me to understand that personally he thought it would be unadvisable for the Ambassadors to refer in any way to the Porte's note of the 3rd instant, if it were determined that they should call attention to the propriety of convoking the Financial Commission, seeing that the note in its entirety had been virtually rejected by the Powers as unacceptable, and it might therefore create difficulties if one particular part of it were made the subject of discussion.

With reference to this observation, I told his Excellency that all Her Majesty's Government proposed was that the Ambassadors should be authorized, under certain circumstances, themselves to decide on the spot as to the best mode of raising the question relating to the Financial Commission, and the proper time for submitting it to the Porte.

I have, &c.
(Signed) JOHN WALSHAM.

No. 22.

Sir J. Walsham to Earl Granville.—(Received November 1.)

(Commercial.)
(Telegraphic.)
Berlin, November 1, 1880.

WITH reference to your despatch No. 46, German Delegate on the Danubian Commission has been instructed, at its next general meeting, to assent to the proposal of the Porte with respect to the payments to Messrs. Erlanger, on condition that such arrangement is understood not to interfere in any way with the effect of the stipulations already existing between the Commission and the Porte on the subject of the sum payable by the former to the latter.

The German Government have expressed their views of the matter in this sense to the French, Austrian, and Turkish Representatives here.

I will forward by to-day's post the answer I have received from the Minister for Foreign Affairs.

No. 23.

Earl Granville to Mr. Goschen.

(No. 727.)
(Telegraphic.)
Foreign Office, November 1, 1880.

I THINK that whenever the time comes to start the financial question you might be able to do so in a tone friendly to the Porte.

Whatever their wishes may be, they will not succeed in commanding any confidence from their creditors without the security afforded by participation of the Powers in the arrangement.

No. 24.

Earl Granville to Mr. Goschen.

(No. 728.)
(Telegraphic.)
Foreign Office, November 1, 1880.

YOUR telegram No. 329 of the 29th October.

Council of Foreign Bondholders have sent me a Resolution adopted by the Joint Commissioners of the Turkish Loans of 1858 and 1862 objecting to the last Turkish proposal.

Copy by messenger.

No. 25.

Earl Granville to Mr. Goschen.

(No. 648. Extender.)
Foreign Office, November 1, 1880.

Sir,

HER Majesty's Government are of opinion that whenever the time arrives for taking up the question of Turkish finance the subject should be approached by your Excellency in a tone friendly to the Porte.

Although the proceedings of the Turkish Government show a desire on their part to come to some independent arrangement with the bondholders, it will be necessary for your Excellency to point out to the Sultan's Ministers that they cannot hope to command the confidence of their creditors without the security which would be afforded by the participation of the Powers in any financial scheme that may be put forward.

I am, &c.
(Signed) GRANVILLE.

No. 26.

Lord Lyons to Earl Granville.—(Received November 2.)

E
(No. 1014. Extender.)
Paris, October 30, 1880.

My Lord,

IN pursuance of a telegraphic instruction which I had the honour to receive from your Lordship last night, I spoke to M. Barthélemy St. Hilaire this morning of the recent proceedings of the Porte with regard to the foreign holders of Ottoman stock. I adverted in particular to the passage on the subject in the Turkish note of the 3rd October, and to the invitation, in conformity with that passage, which had been addressed by the Ottoman Diplomatic Representatives in various capitals of Europe to the Turkish bondholders. I observed that it seemed difficult for the European Governments to leave altogether without notice this attempt to set them aside in the treatment of a matter in which the subjects of many of them were deeply interested; and I said that Her Majesty's Government were of opinion that it would be desirable that the Ambassadors of the Six Powers at Constantinople should be authorized to concert how and when, as soon as the Dulcigno matter should have been settled, it would be advisable to raise the question of establishing the International Financial Commission contemplated by the 18th Protocol of the Congress of Berlin.

M. Barthélemy St. Hilaire said that personally he entirely concurred in this

opinion; but that he must reserve his official answer until he had conferred with the President of the Republic and the Cabinet.

I have, &c.
(Signed) LYONS.

No. 27.

Sir J. Walsham to Earl Granville.—(Received November 3.)

(No. 115.)
(Telegraphic.)
Berlin, November 3, 1880.

MY telegram No. 112.

From what Minister for Foreign Affairs has just told me I gather that German Government would equally prefer waiting until Dulcigno matter is actually settled before giving any instructions to Count Hatzfeldt as to joining his colleagues in a consultation as to the time and mode of raising the question of convoking the Finance Commission.

If Count Hatzfeldt should himself hereafter ask for instructions on the subject the German Government would take the matter into consideration, but they would not volunteer any advice for the moment.

No. 28.

Sir A. Paget to Earl Granville.—(Received November 4.)

E
(No. 485. Extender.)
Rome, October 27, 1880.

My Lord,

IN an interview I had yesterday with Count Maffei, he read me part of a telegram received from General Menabrea reporting a conversation he had had with your Lordship at Wahner Castle, in which your Lordship had spoken of the intention of the Turkish Government to call upon the holders of Turkish bonds to treat directly with the Porte, and stated that you had instructed Mr. Goschen to remind the Turkish Government of their obligations, under the 18th Protocol of the Congress of Berlin, to submit the financial arrangements of the Empire to an European Commission.

Count Maffei informed me that instructions had been sent to Count Corti to support Mr. Goschen's representations on this subject.

I have, &c.
(Signed) A. PAGET.

No. 29.

E *Sir A. Paget to Earl Granville.—(Received November 5.)*

(No. 492.)
Rome, November 2, 1880.

My Lord,

WITH reference to your Lordship's telegram No. 798 of the 29th ultimo, I have been informed by Count Maffei that the Italian Government have telegraphed to Count Corti to associate himself with Her Majesty's Ambassador and his colleagues in such steps as they may take as to the question of the Turkish Public Debt.

I have, &c.
(Signed) A. PAGET.

No. 30.

Sir J. Walsham to Earl Granville.—(Received November 6.)

E. MS.
(No. 508. Extender.)
Berlin, November 3, 1880.

My Lord,

I CALLED to-day upon the Minister for Foreign Affairs to ask his Excellency if he could tell me whether the German Government had come to any decision as to the question about which I had spoken to him on the 30th ultimo, in connection with the convocation of the Financial Commission contemplated by the 18th Protocol of the Berlin Congress.

His Excellency informed me that, until the Dulcigno difficulty had been finally settled, he did not consider it would be convenient to give their representative at Constantinople any direct instruction as to joining his colleagues in a consultation with respect to the time and mode of bringing the Commission question to the notice of the Porte as soon as Dulcigno had been ceded.

Should Count Hatzfeldt, however, apply for advice hereafter, the German Government would take the matter into consideration, but they were not inclined or prepared to give his Excellency now a special authorization to act in a particular way in the event of his being requested later on by the other Ambassadors to join them in discussing the question.

I have, &c.
(Signed) JOHN WALSHAM.

No. 31.

Sir J. Walsham to Earl Granville.—(Received November 6.)

E
(No. 509. Confidential.)
Berlin, November 3, 1880.

My Lord,

WHEN, as I have reported in my despatch No. 508, I spoke to the Minister for Foreign Affairs to-day with regard to the convocation, under certain circumstances, of the Financial Commission contemplated by the 18th Protocol of the Berlin Congress, I made no allusion to the fact recorded in your Lordship's telegrams Nos. 760 and 762, that the Russian Government had shown a disposition to agree with Her Majesty's Government as to the course to be pursued by the Ambassadors at Constantinople, while the Austrian Government had apparently declined to give any positive assurance as to the line of conduct they might think it advisable to adopt with regard to this matter.

Had I mentioned to his Excellency the fact of Russia being disposed to acquiesce in the views of Her Majesty's Government, it would not necessarily have acted as an inducement to the German Government to do likewise, and the knowledge that Austria was inclined to hold back would merely have had the effect of strengthening what I afterwards learnt to be his Excellency's own disinclination to allowing the Ambassadors to decide as to the time and manner of raising the question connected with the Commission.

I therefore contented myself with telling Count Stirum that Her Majesty's Government had submitted their views on this point to the Governments of the Powers, expressing, at the same time, a hope that I might be enabled to give your Lordship a satisfactory answer as regards Germany.

On hearing from his Excellency that he considered it would be quite time enough to consider the subject after the Dulcigno question had been actually settled, and that he thought it might be inconvenient to constitute the Ambassadors into a sort of jury which should pass a verdict as to the convocation of the Commission, I stated to his Excellency that, in consequence of the Porte having recently invited the bondholders to send delegates to Constantinople to treat directly with it on matters intimately connected with the Turkish Public Debt, Her Majesty's Government were of opinion that the time might shortly arrive when it would be advisable to remind the Ottoman Government of the provisions of the 18th Protocol relating to this debt and the Financial Commission, and that, in order to avoid unnecessary delay, it would be as well for the Cabinets to express their views as to the proper way of raising this question as soon as the Dulcigno business was settled.

Her Majesty's Government, I said, had come to the conclusion that, being on the spot and well acquainted with the whole matter, the Ambassadors would be in the best position to decide how the subject should be brought to the notice of the Porte.

Count Stirum, however, still held to his opinion, that it was unnecessary to give the Ambassadors any instructions for the moment; and added that Germany was, after all, less interested in this particular matter than many of the Powers.

His Excellency mentioned that, up to the present time, the German Government had not been consulted on this subject by any of the other Cabinets.

I have, &c.
(Signed) JOHN WALSHAM.

No. 32.

Lord Lyons to Earl Granville.—(Received November 6.)

E
(No. 1030.)
Paris, November 5, 1880.

My Lord,

IN my telegram No. 118 of the 30th October, and in my despatch No. 1014 of the same date, I had the honour to report to your Lordship that while reserving an official answer until he should have consulted his colleagues, M. Barthélemy St. Hilaire had said to me that, personally, he entirely agreed with Her Majesty's Government that it would be advisable that the Ambassadors of the six Powers at Constantinople should be authorized to concert how and when, as soon as the Dulcigno affair should have been settled, to raise the question of establishing the International Financial Commission, contemplated by the 18th Protocol of the Congress of Berlin.

It was not until yesterday afternoon that M. Barthélemy St. Hilaire was able to give me the official answer he had promised. He then told me that he had brought the question before the Council of Ministers in the morning, and that he was authorized to express the concurrence of the French Government in the suggestion of the Government of Her Majesty.

I asked his Excellency whether, this being the case, he was prepared to send at once instructions to the French Ambassador at Constantinople to confer upon the matter with his colleagues.

He answered that, as nothing could be done until after the cession of Dulcigno, the matter was, he feared, not very pressing, and that he should like to come to an understanding with Her Majesty's Government as to the details of the instructions to be sent.

In reply to an observation from me, his Excellency said that he entirely agreed that the Ambassadors should consult as to the time and manner in which the question should be raised with the Porte, and as to the steps best calculated to obtain the assent of the Porte to the establishment of the Commission. This being done, the Ambassadors should, he thought, report for the consideration of their respective Governments the conclusions at which they had arrived.

M. Barthélemy St. Hilaire went on to say that it appeared to him that, in bringing the matter forward, the Powers should advert to the financial paragraphs in the Turkish note of the 3rd October, and that they should not altogether pass by the notice which the Ottoman Representatives had published in the European capitals, inviting the bondholders to treat directly with the Porte without the intervention of their Governments.

I reminded M. Barthélemy St. Hilaire that I had spoken of both these documents when I first communicated to him the suggestion of Her Majesty's Government.

His Excellency proceeded to observe that, although by far the largest part of the Ottoman stock was, he believed, held in France and England, still all the six Powers should, he supposed, be represented in the International Commission.

I said that this appeared to be the course prescribed by the Protocol of Berlin; that the proposal of Her Majesty's Government was that the Ambassadors of all the six Powers should confer at Constantinople; and that Her Majesty's Government had made this proposal to the other Governments as well as to that of France.

M. Barthélemy St. Hilaire then remarked that it would, in his opinion, be a matter of no small importance that the French and English Delegates to the proposed Commission should be so selected as to satisfy the bondholders, and to insure, as far as possible, their acquiescence in the proceedings of the Commission. With this view, it might, he thought, be advisable for each Government to call a meeting of the bondholders in its own country, in order to consult them in a certain measure on the choice of the Delegates. This would, he conceived, tend to relieve the Governments of responsibility towards the public. At the same time, it would nevertheless be necessary that the Governments should so far keep the nomination in their own hands as to insure the

appointment of men of financial knowledge and impartiality, and to exclude mere speculators in Turkish stock.

I observed that the execution of this plan might be not unattended with difficulty and delicacy, but that we had hardly yet arrived at the stage in the affair at which the actual selection of the Delegates could be considered to be near at hand. The pressing matter at the moment appeared to be to treat the general question of the establishment of the Commission with the Porte.

After some further conversation, M. Barthélemy St. Hilaire begged me to report to your Lordship what he had said; and he repeated that, although he entirely agreed that the Ambassadors at Constantinople should be authorized to confer, as your Lordship had suggested, still, before absolutely sending the instructions to the French Ambassador, he should be glad to learn a little more fully your Lordship's views as to the details of them.

I have, &c.
(Signed) LYONS.

No. 33.

Lord Lyons to Earl Granville.—(Received November 6.)

E
(No. 1031. Very Confidential.)
Paris, November 5, 1880.

My Lord,

DURING the conversation, of which an account is given in my immediately preceding despatch, No. 1030 of to-day, M. Barthélemy St. Hilaire seemed to be disturbed by the fear that the establishment of the Financial Commission at Constantinople might dissatisfy the French bondholders, and be opposed by them.

He said that so much of the stock had passed into the hands of speculators not of the highest class that it was impossible to give them really any preponderant voice in the choice of the French Delegate, and he mentioned, as an instance of the inconvenience of the sort of choice which they were likely to make if left to themselves, that, at a meeting composed of a considerable number of them, the Comte de Tocqueville had been named as their representative.

Still, M. Barthélemy St. Hilaire appeared to think that some nominal influence in the choice of the French member of the International Commission might be given to them, in order to conciliate them and lessen the responsibility of the Government. He was, however, of opinion that the Government must keep the real selection in its own hand.

It may, perhaps, be of some importance, in order to prevent discontent, that the English and French bondholders be treated alike by their respective Governments.

At the same time, it is not to be forgotten that the Berlin Protocol distinctly states that the members of the Commission are to be named by the respective Governments.

I have, &c.
(Signed) LYONS.

No. 34.

Earl Granville to Sir J. Walsham.

(No. 710.)
Foreign Office, November 6, 1880.

Sir,

I APPROVE the language used by you to Count Stirum, as reported in your despatch No. 500 of the 30th ultimo, respecting the question of the convocation of a Financial Commission at Constantinople.

I am, &c.
(Signed) GRANVILLE.

No. 35.

Mr. Plunkett to Earl Granville.—(Received November 8.)

(No. 508. Extender.)
My Lord, *St. Petersburgh, November* 1, 1880.

I COMMUNICATED to Baron Jomini to-day the substance of your telegram No. 872 of the 29th ultimo. I had been unable to see his Excellency sooner.

Baron Jomini told me he would at once telegraph your Lordship's wishes to Livadia. In the meantime, he felt at liberty to state that he had no doubt M. de Novikoff would be instructed to consult with Mr. Goschen and his other colleagues as to the best mode of raising the financial questions with Turkey, after the more pressing question of Dulcigno should have been settled.

In the course of some desultory remarks afterwards on the subject, Baron Jomini expressed his opinion that the arrangement laid down in the 18th Protocol ought to be adhered to, in preference to the new proposal of the Porte to negotiate direct with the creditors.

I have, &c.
(Signed) F. R. PLUNKETT.

No. 36.

Mr. Goschen to Earl Granville.—(Received November 8.)

(No. 350.)
(Telegraphic.) *Therapia, November* 8, 1880.

IT will be very essential for British Government to be informed by French as to instructions given to M. Tissot with reference to M. de Tocqueville when he arrives. I should recommend that, till negotiations for Financial Commission are concluded, Ambassadors should hold entirely aloof from any negotiations there were between bondholders and Porte.

No. 37.

Earl Granville to Lord Lyons.

(No. 627.)
(Telegraphic.) *Foreign Office, November* 8, 1880, 6·30 P.M.

WITH reference to my telegram No. 626 of to-day, pray endeavour to ascertain instructions given to M. Tissot.

No. 38.

Earl Granville to Sir J. Walsham.

(No. 714.)
Sir, *Foreign Office, November* 8, 1880.

I APPROVE the language held by you to Count Stirum, reported in your despatch No. 509 of the 3rd instant, respecting the convocation of a Financial Commission in Constantinople.

I am, &c.
(Signed) GRANVILLE.

No. 39.

Earl Granville to Lord Lyons.

(No. 1456. Extender.)
My Lord, *Foreign Office, November* 8, 1880.

MR. GOSCHEN having expressed his opinion that it is essential that Her Majesty's Government should be made acquainted with the nature of the instructions given to the French Ambassador at Constantinople with regard to the mission of M. de Tocqueville, who is about to arrive in that capital as Representative of the

French bondholders, I have to request that your Excellency will endeavour to ascertain what instructions the French Government have given to M. Tissot on the subject.

I am, &c.
(Signed) GRANVILLE.

No. 40.

Mr. Goschen to Earl Granville.—(Received November 9.)

(No. 528.)
My Lord, *Therapia, November* 1, 1880.

IN my interview with the Minister for Foreign Affairs and the Under-Secretary last Wednesday, I briefly touched on the subject of finance. I inquired respecting the invitation alleged to have been issued to the bondholders abroad to send Delegates to Constantinople—I remarked on the circumstance that no intimation had been given to the Ambassadors of the fact. I was informed that this was due to the wish of the Porte to deal with their creditors direct. I then proceeded to point out the delusive character of their offer to the creditors, and especially to the point that the Turkish Government must, on their own showing, first repay to the Syndicate of Galata bankers an immense sum before the indirect contributions were assigned to the general creditors.

I have, in previous despatches, commented on the absence of any allusion to this obligation in the note of the Porte of the 3rd October, but the Ministers now state that they intended from the first to repay these advances before the pledged revenues are otherwise assigned, but they make light of the obligation. Means would be found to arrange the affair. I pointed out that it was impossible to believe that the Porte would easily discharge an immense debt at a time when the Ambassadors were told over and over again that there were no funds available for meeting many of the smallest yet most sacred liabilities. It was out of the question to treat such a plan as serious.

I then proceeded to state that, though the subject of the public debt of Turkey in connection with the 18th Protocol of the Berlin Congress had been introduced into my original instructions I had hitherto not pushed the question, not wishing, at a very difficult time for Turkey, to increase the number of urgent questions claiming their immediate action, but that now that they had raised the question themselves, they must expect that steps would very soon be taken in connection with that Protocol.

This hint was received with dismay. It is clear that the Government fear the Commission as much as any demonstration, and great resistance must be apprehended.

I thought it necessary, in view of the invitation thus made to the bondholders, to prepare the ground for the demand as to the Commission, but I did not give the Ministers to understand that as yet I was acting on any fresh instructions.

I need not assure your Lordship that I have given very careful attention to the documents which have been forwarded to me embodying the remonstrances and memorials of various classes of Turkish bondholders. I allude especially to those forwarded to me in your Lordship's despatches Nos. 322 and 323, which were subsequently printed together, and inclosed in your Lordship's despatch No. 347.

I observe that Sir Charles Dilke, replying to a deputation from the Council of the Foreign Bondholders at the beginning of July, stated, in explanation of no steps having been taken on the paragraph of my instructions relating to the convocation of an International Financial Commission, that I had not been long enough at Constantinople to enable me to make up my mind finally on the question. It is, however, not quite correct to attribute the fact of my not having taken any steps as yet in the matter to any difficulty in making up my mind as to the mode in which this question should be dealt with.

I have repeatedly sounded my colleagues carefully on the question, and found, as I expected, a certain reluctance to embark on a fresh and very difficult problem, while the Montenegrin and Greek questions were still unsettled. And I purposely did not push the matter because I felt that it would not gain, but would be more likely to suffer from being pressed at a time not thoroughly opportune.

I am now, however, as I have informed your Lordship, distinctly of opinion that a favourable opportunity has been offered by the note of the 3rd October to take an initiative as to the convocation of the Commission, though whether the point can be

carried, unless the Powers show very great determination, is open to most serious doubt.

I have, &c.
(Signed) GEORGE J. GOSCHEN.

No. 41.

Sir H. Elliot to Earl Granville.—(Received November 9.)

(No. 707. Extender.)
My Lord, *Buda-Pesth, November 1, 1880.*

BEFORE Baron Haymerle sends instructions to the Austro-Hungarian Ambassador at Constantinople to concert with his colleagues upon the mode of dealing with the Turkish financial question, he wishes to ascertain Baron Calice's opinion upon it.

He does not believe that it will be easy to induce the Turkish Government to nominate a Commission such as was indicated in Protocol No. 18 of the Congress of Berlin, and, as their Plenipotentiaries distinctly declined to accept the proposal at the Congress, he considers it impossible to maintain that they are under any obligation to do so, however desirable it may be, but he would be glad to be informed of the scope that it is proposed to give to the Commission which it is wished to appoint.

I have, &c.
(Signed) HENRY ELLIOT.

No. 42.

Earl Granville to Mr. Goschen.

(No. 747.)
(Telegraphic.) *Foreign Office, November 9, 1880, 4·40 P.M.*

FRENCH Government agree with Her Majesty's Government that Ambassadors at Constantinople should be authorized to confer how and when to raise the question of the International Financial Commission, but before sending instructions to French Ambassador they wish to come to an understanding with Her Majesty's Government as to the details of the instructions.

They consider that Ambassadors should confer and report their conclusions.

They think each Power might call a meeting of bondholders, in order to consult them in a certain measure on the choice of the Delegates, and thus relieve the Governments of responsibility towards the public, but means should be taken to insure the appointment of good men, and not mere speculators.

What is your opinion as to any details which might be communicated to French Government?

Her Majesty's Government consider that it would be very inexpedient, and indeed scarcely possible, to consult a meeting of the bondholders, as suggested.

No. 43.

Earl Granville to Mr. Goschen.

(No. 748. Very Confidential.)
(Telegraphic.) *Foreign Office, November 9, 1880, 4·30 P.M.*

WHEN communicating to Lord Lyons views of French Government summarized in my telegram to you No. 747 of to-day, French Minister for Foreign Affairs seemed to fear that French bondholders might oppose establishment of the Financial Commission. At a meeting of a considerable number of them M. de Tocqueville had been named as their representative, and French Minister for Foreign Affairs considers that whilst allowing them some nominal influence in choice of French Delegate in order to conciliate them and lessen Government responsibility, real selection must remain with the Government, so as to prevent such a result as nomination above quoted.

No. 44.

Earl Granville to Mr. Goschen.

(No. 671. Extender.)
Sir, *Foreign Office, November 9, 1880.*

THE accompanying copy of a despatch from Lord Lyons,* of which a summary has been telegraphed to your Excellency, gives the views of the French Government on the question of the International Financial Commission.

You will perceive that M. Barthélemy de St. Hilaire is anxious to be made acquainted with the details of the instruction which may be sent to your Excellency, and I have to request you to inform me of your opinion as to the extent to which it would be desirable to enter into details in communicating with the French Government at the present stage.

As regards the suggestion made by the French Government that each Power should call a meeting of the bondholders and consult them on the choice of delegates, I have to state that such a proceeding would appear to Her Majesty's Government to be very inexpedient, and indeed scarcely possible to be carried out.

I am, &c.
(Signed) GRANVILLE.

No. 45.

Earl Granville to Mr. Goschen.

(No. 672. Very Confidential. Extender.)
Sir, *Foreign Office, November 9, 1880.*

WITH reference to my previous despatch of this day, I transmit to your Excellency a copy of a further despatch from Lord Lyons,† showing that the French Government are not disposed to leave to the bondholders the selection of their representative in the Turkish Financial Commission.

I am, &c.
(Signed) GRANVILLE.

No. 46.

Lord Lyons to Earl Granville.—(Received November 10, 7 P.M.)

(No. 122.)
(Telegraphic.) *Paris, November 10, 1880, 4·55 P.M.*

YOUR telegram No. 627.

French Minister for Foreign Affairs had not heard that Tocqueville was going to Constantinople, and consequently he had sent no special instructions on the subject.

He agrees with you that Ambassadors should keep entirely aloof from all communications between bondholders, and he thinks that they should abstain from all negotiations with the Porte respecting the Ottoman debt until they receive instructions from the Governments. He hopes all the six Powers will act together in the matter.

No. 47.

Mr. Goschen to Earl Granville.—(Received November 12.)

(No. 556.)
(Telegraphic.) *Therapia, November 12, 1880.*

YOUR telegrams Nos. 747 and 748.

I am strongly of opinion that bondholders' representatives should not come to Constantinople at all in response to late invitation until a Financial Commission reports assets and liabilities of Turkish Empire. Bondholders should declare proposal illusory, and reject the condition that no diplomatic interference be allowed. The arrears due by Porte to English and French Governments, the unsettled claims of innumerable foreign subjects, besides the unpaid coupons, give foreign Governments a clear and strong *locus standi* to insist on a Commission.

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* No. 32. † No. 33.

No. 48.

Lord Lyons to Earl Granville.—(Received November 13.)

E

(No. 1050. Extender.)

Paris, November 10, 1880.

My Lord,

YOUR Lordship did me the honour to repeat to me, the evening before last, a telegram (No. 350 of the 8th November) from Mr. Goschen, in which, after stating that it would be very essential that Her Majesty's Government should be informed of the instructions given to the French Ambassador at Constantinople on the arrival of M. de Tocqueville at that place, his Excellency recommended that until the negotiations for the establishment of the International Financial Commission should be concluded, the Ambassadors should keep quite aloof from any communications between the Porte and the bondholders.

I spoke to M. Barthélemy St. Hilaire on the subject this afternoon.

His Excellency said that he was aware that M. de Tocqueville had been named by a certain number of French bondholders as their Representative, but that he had not heard that he was going to Constantinople, and consequently had not sent any special instructions about him to that place.

His Excellency went on to say that he fully concurred in the opinion that, in the present state of things, the Ambassadors should keep quite aloof from all communications between the bondholders and the Porte. He thought, indeed, that they should abstain from every kind of negotiation with the Porte respecting the Ottoman debt until they received specific instructions from their respective Governments.

He concluded by expressing a hope that all the Six Powers would act together with regard to the establishment of the Mixed Commission under the 18th Protocol of Berlin.

Your Lordship will remember that M. Barthélemy St. Hilaire spoke in uncertainty as to whether or not the Ministry of which he is a part would retire in consequence of their defeat in the Chamber of Deputies yesterday.

I have, &c.
(Signed) LYONS.

No. 49.

Sir J. Walsham to Earl Granville.—(Received November 15.)

E

(No. 524. Confidential.)

Berlin, November 12, 1880.

My Lord,

THE Italian Chargé d'Affaires has given me to understand that, on speaking in accordance with his instructions to the Minister for Foreign Affairs in a sense favourable to the views of Her Majesty's Government with regard to the convocation of the Finance Commission at Constantinople, he received almost the same answer from his Excellency as I had done when I consulted him on the subject, and M. Tosi noticed an evident disinclination on the part of Count Stirum to authorize the Ambassadors to consult as to the time and mode of convoking the Commission.

I can scarcely imagine that Prince Bismarck would go so far as to object to the meeting of a Commission which I believe he favoured rather than not at the Congress, but of course, it is possible that he might not feel disposed to appoint a Delegate to it.

His Highness would probably plead as an excuse for such abstention on the part of Germany the insignificant interest she possesses in the question of Turkish finances, and such an excuse would unquestionably be well grounded, as this country is not a creditor of the Porte, nor are there any German bondholders requiring protection in connection with the Public Debt of Turkey.

Having, then, so good a plea for not urging upon the Porte the execution of a scheme to which at the time of the Congress her Representatives were opposed, Prince Bismarck would wish to profit by it, as he could thus insure further popularity with the Sultan, and increase the advantages of the position he has created for himself at Constantinople.

It is of course quite possible that should the plan for assembling the Commission be persevered in, Prince Bismarck may after all not dislike the idea of Germany being represented, for it should not be forgotten that at the time of the crisis in Egypt last

year, when most people were unaware of Germany being greatly interested in the details of the Public Debt of the Principality, and in the distribution of the loan raised for its settlement, she, as well as Austria, discovered that if their interests were inferior to those of England and France, they were of quite sufficient importance to warrant a strong claim being made in favour of German and Austrian Delegates taking their seats as members of the Commissions appointed to control the finances of the present Khedive.

I have, &c.
(Signed) JOHN WALSHAM.

No. 50.

Mr. Goschen to Earl Granville.—(Received November 16.)

(No. 547.)

Constantinople, November 9, 1880.

My Lord,

WITH reference to my recent despatches Nos. 423, 436, 511, and 528 on the subject of Turkish finance, and especially to the statement made in despatch No. 436 of the 8th ultimo that the sum of about £ T. 8,000,000 is still due to the Syndicate of Bankers under the Convention of the $\frac{10th}{22nd}$ November, 1879, I have the honour to furnish your Lordship with an exact account of the actual position of the account, which has been supplied to me from a trustworthy source.

Supposing that the Porte were able to make an arrangement for paying off the Galata bankers on the 1st January, 1881, the account then due will be £ T. 8,323,000, equal in pounds sterling to 7,566,333*l.*

The amount is arrived at as follows:—

	£ T.
Capital to receive, 1st January, 1880	8,725,000
Interest, one year, at 8 per cent.	698,000
	9,423,000
Repaid to 1st January, 1881	1,100,000
	8,323,000

I have, &c.
(Signed) GEORGE J. GOSCHEN.

No. 51.

Mr. Goschen to Earl Granville.—(Received November 16.)

E. MS. C.

(No. 549.)

Constantinople, November 9, 1880.

My Lord,

I HAVE had some conversation with my French colleague on my suggestion that the International Financial Commission, mentioned in the 18th Protocol of the Berlin Conference, should now be urged on the Porte. He had thus far received no instructions whatever on the subject from his Government, and he did not appear very warm as to such action being taken himself.

I asked M. Tissot whether he knew what kind of mandate had been given to M. de Tocqueville by the Turkish bondholders in France, but he has no information beyond what he had derived from the newspapers.

I asked him what attitude he would observe towards the representatives of the bondholders when they arrived. He replied that he had no knowledge of finance himself, but he should naturally listen very attentively to the plans which might be submitted to him by M. de Tocqueville.

I then suggested that, in my view, it is very questionable whether it would be right to give an official hearing at the Embassies to the representatives of the bondholders, who might come to Constantinople before the Governments had agreed on the course to be taken with reference to the Financial Commission. The Turkish Government had distinctly invited the bondholders on the understanding that the negotiations were to take place without the Powers intervening; that there appeared to be only two alterna-

tives: the one to leave the bondholders entirely alone, the other to press forward on the lines of a Financial Commission.

I beg to recommend this view strongly to your Lordship's attention. Nothing but evil could arise from any partial diplomatic assistance given to bondholders on the delusive basis for negotiations now proposed by the Porte, while the opportunity would be lost for throwing light on the finances of Turkey, a point of capital importance if reforms are really to be demanded.

I think it may be most justly contended that the experience gained in Egypt has conclusively shown that the *locus standi* which the claims of public creditors furnish for financial inquiry, and even financial reform, can be most advantageously utilized in the interest of the taxpayers and the prosperity of the community generally.

The prospects for the public creditors of Turkey cannot, under any circumstances, be anything but gloomy, but the financial inquiry would have its use far beyond any slight satisfaction of the claims of the bondholders which might result from it. Financial reform ought in reality to precede almost any other reforms, and it is difficult even to see how the Turkish Empire can be held together without it.

These considerations ought certainly to have weight with the Porte, and with the other Great Powers, but I doubt whether such will be the case. Your Lordship telegraphed to me that your Lordship thought that whenever the time came for starting the financial question I might be able to do so in a tone of friendship to the Porte. True as this may be, it is almost certain that the Porte will offer the most strenuous resistance to independent financial inquiry, and that nothing short of very strong and united pressure will insure its acceptance.

It is possible that other Powers, who may be more indifferent than Her Majesty's Government to reforms in the Turkish Empire, will raise difficulties as to joining the English Cabinet in a fresh demand on the Porte which will cause much trouble and debate, but the great interests of foreign subjects which are involved, at all events, give the foreign Powers a *locus standi* for taking up the question with vigour. Every Embassy is in vain pressing claims on the Porte which, in many cases, are acknowledged to be due, but for which the Porte either will not or cannot supply the necessary funds, and the Great Powers would surely be perfectly justified in stating that they can no longer endure a state of things under which no claim is satisfied, unless the Porte will show, through an impartial tribune of inquiry, what is the real situation of its assets and liabilities.

Your Lordship will observe that it is not only the interest of the so-called public creditors which is in question, but the interests of all who have claims of any kind on the Porte.

The English and French Governments have themselves large pecuniary demands to make on the Porte for arrears of interest on the Guaranteed Loan, and the Porte makes no suggestion for their payment. I propose, in the course of the week, to see the Minister of Finance on these arrears, and to elicit some statement from him as to the view he takes of the liabilities of Turkey.

I have, &c.
(Signed) GEORGE J. GOSCHEN.

No. 52.

Sir A. Paget to Earl Granville.—(Received November 18.)

(No. 514.)
My Lord, *Rome, November 15, 1880.*

WITH reference to your Lordship's telegram No. 816, I have the honour to report that during a visit paid to me by M. Malvano, the Director of the Political Department in the Ministry for Foreign Affairs, I mentioned to him the substance of Lord Lyons' telegram No. 122 to the effect that the French Minister for Foreign Affairs agreed with your Lordship that the Ambassadors should keep entirely aloof from all communications between the bondholders and the Porte, and that he thinks they should abstain from all negotiations with the Porte respecting the Ottoman Debt until they receive instructions from their Government.

I have, &c.
(Signed) A. PAGET.

No. 53.

Mr. Guedalla to Earl Granville.—(Received November 18.)

My Lord, 12, *Talbot Square, Hyde Park, November 17, 1880.*

I HAD the honour to transmit to your Lordship a few days ago my scheme for the equitable settlement of the various Turkish Loans and also other memoranda, in the form of a pamphlet.

The bondholders do not consider the present proposal of the Porte worthy of consideration; therefore we do not propose to send any Delegates to Constantinople. We take our stand on the clause of the Berlin Treaty obtained by us at great personal sacrifices, which provides for the establishment of an International Turkish Financial Commission, in which we have reason to believe that we are not only supported by your Lordship, but also by the Italian Government.

We are at a loss to account for the unjustifiable lukewarmness of the other European Cabinets on this question. We are quite sure that Turkish finances are quite as capable of regeneration as those of Egypt, particularly should the valuable services of Sir C. Rivers Wilson be again called into action.

I am, &c.
(Signed) H. GUEDALLA.

No. 54.

Mr. Plunkett to Earl Granville.—(Received November 22.)

E
(No. 535.)
My Lord, *St. Petersburgh, November 14, 1880.*

I SAID to Baron Jomini yesterday that I had learnt from your Lordship that the French Government agreed with Her Majesty's Government in thinking that the Ambassadors in Constantinople should keep aloof from all communication between the bondholders and the Porte; and that M. Barthélemy de St. Hilaire further thought that the Ambassadors should abstain from negotiations with the Porte respecting the Ottoman debt until they receive instructions from their respective Governments.

I asked his Excellency if he had heard anything on this point from the French Government, and what were the views of Russia in this matter.

Baron Jomini replied that he was also of opinion that the Ambassadors should abstain from taking any part in the negotiations between the bondholders and the Porte. M. Novikow had already been instructed to concert, as your Lordship had requested, with Mr. Goschen and the other Ambassadors, how and when the financial question should be raised with the Turkish Government.

I have, &c.
(Signed) F. R. PLUNKETT.

No. 55.

Earl Granville to Mr. Goschen.

(No. 771.)
(Telegraphic.) *Foreign Office, November 22, 1880, 4·30 P.M.*

I AM informed by Mr. Guedalla that bondholders do not consider financial proposals of Porte as worthy of consideration, and do not propose to send delegates to Constantinople, but take their stand on recommendation for Financial Commission contained in 18th Protocol of Berlin Congress.

No. 56.

Earl Granville to Mr. Goschen.

(No. 699. Extender.)
Sir, *Foreign Office, November 22, 1880.*

I TRANSMIT to you herewith a copy of a communication I have received from Mr. Guedalla,* from which it appears that the bondholders do not consider the financial

* No. 53.

proposals of the Porte to be worthy of consideration, and that accordingly it is not their intention to send any Delegates to Constantinople.

The substance of Mr. Guedalla's letter has been communicated to you by telegraph.

I am, &c.
(Signed) GRANVILLE.

No. 57.

Lord Tenterden to Mr. Guedalla.

Sir, *Foreign Office, November 26, 1880.*

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 17th instant on the subject of the Turkish Loans, and stating that the bondholders do not consider the proposals of the Porte to be worthy of consideration, and do not therefore intend to send any Delegates to Constantinople, in answer to the invitation of the Turkish Government in the matter.

A copy of your letter has been forwarded to Mr. Goschen.

I am, &c.
(Signed) TENTERDEN.

No. 58.

Sir H. Elliot to Earl Granville.—(Received November 29.)

E.
(No. 748. Confidential.)
My Lord, *Vienna, November 23, 1880.*

I ASKED Baron Haymerle this afternoon whether he could yet enable me to let your Lordship know the view he took of the proposal to call upon the Porte to carry out the suggestion recorded in the 18th Protocol of the Congress of Berlin for the nomination of a Financial Commission.

His Excellency said that he would prefer not to express any opinion upon it at present, as it was a question requiring very careful and mature consideration, and he was not yet informed upon the scope which it was wished to give to the Commission.

To a measure as extensive as that which had been applied to Egypt he should not be favourably inclined, even if there was a prospect of getting the Sultan to consent to it, which he was convinced that there would not be.

If it was proposed to institute a Commission only to make an investigation into the financial resources of the Turkish Empire, it might be possible to induce the Sultan to agree to it, but he would not tolerate its being endowed with any farther authority; and I understood his Excellency to imply that he would not himself desire it.

I said that a mere inquiry only, accompanied by recommendations, would go a very short way in getting the Turkish finances into a position such as to give the creditors a prospect of receiving even a portion of what was due to them, and that it seemed above all things essential to establish an honest control over the receipts and the expenditure.

Baron Haymerle, without expressing any opinion of his own, said that the German Government strongly objected to making the mention of the financial question in the note of the Porte of the 3rd October the basis of the demand for the formation of the Commission; and I then asked him whether he would not admit that when the Porte was refusing to satisfy the acknowledged claims of foreigners upon the pretext of the want of funds, their Governments were not entitled to require that the necessary measures should be taken to ascertain both whether the plea was correct and whether means could not be found for securing to their subjects what was due to them.

Baron Haymerle said that this certainly afforded strong ground for interference in their behalf, but before any proposal was made to the Porte it was necessary that there should be a complete understanding among the different Powers, the interests of whose subjects were by no means identical—those, for instance, of England and France being principally bondholders, while the Austrians and Hungarians were chiefly holders of railway bonds and securities of that nature—and he would tell me in confidence that a scheme had been laid before him which he was studying with a view to ascertain whether he could found a proposal upon it to be submitted to the

Cabinets for a combination of the lately-created *consortium* of Galata bankers with Commissioners or Delegates appointed by the different Governments. The thing was, however, still quite in the rough, and he did not know whether it could be put into a working shape.

I observed that there was likely to be one capital difficulty in the way of such a combination, for, unless I was altogether mistaken, the *consortium* had been created by the assignment to it of securities known to be already pledged to other creditors, and justice to the latter required that any Commission that might be appointed should consist of impartial and disinterested persons.

He repeated that the scheme he had mentioned was merely under examination, and that it would be looked at from all sides.

I have, &c.
(Signed) HENRY ELLIOT.

No. 59.

E C. *Mr. Goschen to Earl Granville.—(Received November 30.)*
(No. 604.)
My Lord, *Constantinople, November 23, 1880.*

I OBSERVE in a despatch from Sir J. Walsham, No. 500, Confidential, of the 30th October, that Count Stirum gave as a reason for his not considering it advisable for the Ambassadors, when recommending the Porte to convoke an International Financial Commission, to refer in any way to the note from the Porte of the 3rd October, that "the note in its entirety had virtually been rejected by the Powers as unacceptable," and it might, therefore, create difficulties if one particular part of it were made the subject of discussion.

I am bound to state that the Turkish Ministers do not consider that the note has been virtually rejected in its entirety, nor has any action been taken so far as I am aware to impress them with the fact.

Especially on the Greek question the Porte asserts that it has stated its ultimatum, and that the Powers have not demurred to it.

In a conversation I have lately had with the Minister of Finance, in which he complained of the immense strain put upon Turkish resources by the military preparations of the Greeks, his Excellency spoke of the action of the Greeks as if it simply implied a gratuitous attack on two Turkish provinces. I replied by an allusion to the will of Europe. On this the Minister of Finance remarked with an appearance of perfect candour that Turkey had stated what it was prepared to give, and that their offer had not been rejected by the Powers. He seemed surprised at learning from me that such an idea had not even been entertained.

I can assure your Lordship that the view is very generally prevalent that the note has not been answered because the Powers could not agree upon their answer, and that the propositions of the Porte were very far from having been rejected. Language is held as if the basis had been changed from that established by the Berlin Conference to that laid down by the Porte in its last note.

I have not failed to point out the error of this theory whenever I have had the opportunity of doing so, but the absence of a joint declaration as to the unacceptable character of the various decisions announced by the Porte has, in my judgment, done incalculable harm. The Ottoman Government averted the blow, which was expected to follow on the note, by surrendering on a part of one of the issues involved, and since then they have been left in peace as to the remainder.

They draw from this circumstance not unnatural inferences. How far whispered communications may have been made to them that concessions as to Dulcigno might really avert the consequences of the attitude they assumed in the note on all other questions, I am not in a position to decide, but an expression which a well-known member of one of the Embassies somewhat indiscreetly used to the effect that it would be an act of bad faith to urge other questions at once on the Porte if they surrendered Dulcigno, was calculated to arouse involuntary suspicion.

On my asking in a tone of great surprise whether it could be contended that such a promise had been made, and if so, what Powers could have made it, I was told that it seemed to be a general understanding, implied, if not expressed.

I have in previous despatches expressed my conviction to your Lordship that it was absolutely necessary to inform the Porte collectively that on no single point could this answer of the 3rd October be considered acceptable. Subsequent events have

heightened my conviction that, whatever action may be ultimately taken to obtain a satisfactory settlement, the Turks should be at least informed at once with regard to each of the questions in dispute that their views are absolutely rejected by the Powers.

I have, &c.
(Signed) GEORGE J. GOSCHEN.

No. 60.

E C. *Mr. Goschen to Earl Granville.*—(*Received November* 30.)
(No. 607.)

My Lord, *Constantinople, November* 23, 1880.

I HAVE the honour to inform your Lordship that I have had a long conversation with his Excellency Subhi Pasha, Minister of Finance, on various financial topics. His Excellency replied to my inquiries as to the general state of the revenue and expenditure that the expenditure for the current year would probably be 20,000,000*l.*, that is to say, 4,000,000*l.* in excess of the Budget estimate.

Of this excess 3,000,000*l.* was due to extraordinary outlay on the army. On the other hand, he anticipated a deficit of 3,000,000*l.* on the revenue, which had been estimated at 16,000,000*l.*, and would probably not produce more than 13,000,000*l.* The deficiency was in part due to the fact of the crops in some districts having suffered greatly from locusts, but mainly to the difficulty of collecting arrears of taxes. The general account would, therefore, stand as follows:—

	£
Total expenditure	20,000,000
Total revenue	13,000,000
Deficit	7,000,000

His Excellency had no idea how this deficit could be met.

With regard to the floating debt, Subhi Pasha called it 8,000,000*l.*, but, I presume, in making this statement, he had simply in view the amount owing to the Galata bankers under the November Arrangement. Other large amounts would clearly have to be included. To my inquiry as to what sum out of the total expenditure of the 20,000,000*l.* was spent on the army and navy, his Excellency replied that about 8,000,000*l.* of the Budget expenditure and 3,000,000*l.* of the extraordinary must be set down to this account. It results, therefore, that, while the total revenue is 13,000,000*l.*, the Turks acknowledge an expenditure of 11,000,000*l.* during the current year for army and navy purposes.

In connection with expenditure, I may state that it is generally believed that 40,000*l.* recently raised by the Porte for the purpose of paying some officers and Turkish functionaries a month's, or, at least, half-a-month's pay on the occasion of the Bairam festival, has been made over to the Army Department for the purchase of horses.

I further know, as a fact, that on the eve of the Bairam a crowd of 300 or 400 women, mostly relations of naval officers, were assembled in the arsenal where naval officers receive their pay, and clamoured in vain for some money. Pensioners were in the same position, and one of the superior officers of the Administration in the end borrowed a small sum of 300*l.* in his own name in order to distribute small sums to the most needy. This incident will prove to your Lordship the financial straits to which the expenditure of the Porte on warlike preparations has brought the country.

My conversation with the Minister of Finance then turned on the recent proposals made to the bondholders and the creditors of the Empire generally. I pointed out the illusory character of the invitation which had been addressed to the foreign creditors, and of the revenues which it was proposed to assign to them. The main point of the observations which his Excellency made in reply was that the bondholders would have the produce of the six Contributions which are now pledged to the Syndicate of the Galata bankers, which the Government could deal with, as a clause in their contract stated that, on payment of the amount due, the arrangement as to the administration of these revenues by the Syndicate would cease. As to the mode in which the Syndicate is to be paid the 8,000,000*l.* due to them, I could receive no clear explanation except that the whole debt was to be thrown together, and that the bankers would probably

be satisfied if they received 8 per cent. As the Syndicate now receives 1,100,000*l.* annually in repayment of interest and principal, it may be the view of the Government that the bankers would be content to receive interest only, that is, 104,000*l.*, while the balance of the 1,100,000*l.* would be set free for the general creditors. It is clear, however, that the Syndicate would never listen to such a proposal. Other hints seem to point to the idea that the creditors, in order to secure the arrangement, might themselves make some settlement with the Syndicate.

I pointed out to his Excellency, in very decided language, that if, as his words seemed to imply, the Porte wished to arrange with their creditors, and to raise their credit, and to relieve themselves of the constant embarrassments raised by their debts, they were entirely in the wrong path in the course they were pursuing; that it would be a fatal mistake to resist a Financial Commission, as the Porte would find the Representatives named by the Powers infinitely easier to deal with than Representatives of the creditors, who could never inspire the same confidence; that unless some impartial Body received authority to decide between rival and conflicting interests, it was certain that no settlement could be made. Who should decide on the claim of the floating debt as compared with those of the bondholders, or of the privileged bondholders as against those of the holders of the general debt? The Representatives of various classes of creditors would each think it their duty to consider nothing except the interests of their particular clients. The equitable distribution of the assets which the Porte could set aside for the satisfaction of its creditors could only be arranged by an impartial Commission, and it was certain that the various classes of creditors would accept a less sum with more satisfaction from such a Tribunal than a larger sum in a general scramble. It was the only mode to obtain a release from past claims.

Further, I dwelt on the right which the Powers might fairly claim, of asking for an impartial examination into the assets and liabilities of a State which was in default with regard to every class of liability to foreigners. England and France were claimants for a large sum of arrears of interest. All the Embassies had many subjects in whose behalf they had in vain been urging the settlement of acknowledged claims. If the Governments should invite the Porte to convoke an International Financial Commission, the Porte would be wrong in considering such a step as an invasion of its rights. It would simply constitute a machinery for ascertaining the resources of the Empire, and the proportion which it could afford to pay; and, secondly, for devising a scheme of equitable distribution of the available assets. I dwelt with much emphasis on the disposition always shown by the English Government and English public opinion, to consider the tax-payers even of foreign countries with as much interest as the public creditors, the Representative of the English Government would be certain to think as much of the general prosperity of Turkey as of the immediate satisfaction of the claims of creditors, as it was a settled principle with us that the surest mode of raising public credit, and of assisting the public creditor, was to put the tax-payers into a position that they could pay their taxes with reasonable ease.

If I were to venture to judge the effect of my arguments by the manner and the remarks of the Minister of Finance, I should say that I had made some impression, but I cannot hold out much hope to your Lordship that, even if Subhi Pasha were entirely convinced himself, his conviction would carry any weight with the Prime Minister and the Sultan.

Still I thought it my duty to state the case, explaining, at the same time, that I was not making any diplomatic communication on the authority of my Government, but simply speaking as one who was conversant with financial questions, and was anxious to see the credit of Turkey raised.

We subsequently discussed more in detail the question of the debt due by the Porte to the English Government on the Guaranteed Loan. His Excellency declared his great anxiety to settle it. He had some time ago communicated with his colleagues on the mode of discharging this liability. He had done so again very recently. I suggested that it was especially his own duty to suggest the means of payment, and to take the necessary steps. What had he proposed? I could, however, elicit nothing further of a definite character, his Excellency confining himself to strong language as to the necessity for settling this debt. It was almost a sacred liability. It was a disgrace ("une honte") to leave it unpaid. I urged the English Government had been very patient; that he must acknowledge that, both as to this debt, and as to the numerous claims of British subjects, great forbearance had been shown, but that this attitude could not last for ever, especially as it appeared that resources which ought

to be applied to the discharge of sacred liabilities were being employed on military preparations destined, apparently, to delay the settlement of questions which, under Treaty engagements to ourselves and to other Powers, the Porte was solemnly bound to carry out.

I have, &c.
(Signed) GEORGE J. GOSCHEN.

No. 60*.

Earl Granville to Mr. Goschen.

(No. 799. Confidential.)
(Telegraphic.) *Foreign Office, November* 30, 1880, 5·30 P.M.

BARON HAYMERLE has informed Sir H. Elliot, in confidence, that a rough scheme had been submitted to him for dealing with the Turkish finance question, and that he was considering whether he could found thereon a proposal to be submitted to the Powers for a combination of the lately-created *consortium* of Galata bankers with Commissioners or Delegates appointed by the Powers.

Do you know anything of this scheme?

No. 61.

Mr. Goschen to Earl Granville.—(Received December 1, 3 P.M.)

(No. 370.)
(Telegraphic.) *Constantinople, December* 1, 1880, 1·10 P.M.

YOUR telegram No. 799 of yesterday.

I have not heard of the plan, but I know the Porte has been sounding Galata Syndicate as to aiding it in negotiations with creditors. I am strongly opposed to the idea of associating Delegates appointed by the Powers with the Galata Syndicate. The latter have totally different interests from bondholders, and if representatives of Floating Debt due to Syndicate were allowed, it would be indispensable to admit representatives of other classes of creditors. This appears to me conclusive against the scheme.

The Ottoman Bank, being a prominent member of Syndicate and very dependent on good-will of the Porte, having at the same time close relations with large banking establishments in London and Paris interested in Turkish finance, requires to be carefully watched.

I trust Her Majesty's Government will stand firmly by the view of either having a full and impartial inquiry into Turkish finance as a measure of vital political importance as well as of interest to bondholders, or of standing entirely aloof if the question is only to be the discussion of illusory and inadequate proposals for pacifying creditors momentarily.

No. 62.

Earl Granville to Mr. Goschen.

(No. 731. Extender.)
Sir, *Foreign Office, December* 2, 1880.

I HAVE to state that Her Majesty's Government entirely agree with the views expressed in your Excellency's telegram No. 370 of yesterday, to the effect that the Delegates appointed by the Powers for dealing with the Turkish financial question should not be associated with the Galata Syndicate; and that what this country desires is a full and impartial inquiry, and not a mere discussion of inadequate schemes.

I am, &c.
(Signed) GRANVILLE.

No. 63.

Earl Granville to Mr. Goschen.

(No. 806.)
(Telegraphic.) *Foreign Office, December* 2, 1880, 6·15 P.M.

YOUR telegram No. 370 of yesterday respecting Financial question.

Her Majesty's Government quite agree with your views.

No. 64.

Sir J. Paincefote to the Law Officers of the Crown and Dr. Deane.

Gentlemen, *Foreign Office, December* 2, 1880.

I HAVE the honour to submit to you, by direction of Earl Granville, the following questions for your consideration and advice:—

In 1855 a loan of 5,000,000*l.* was raised by Turkey under the guarantees agreed to by Great Britain and France, and recorded in a Convention with the Porte dated the 27th June, 1855. On the same day a Declaration was signed by Great Britain and France relative to the mode in which their liability under the above guarantee, in case of default by the Porte, should be met (Hertslet's "Map of Europe by Treaty," vol. ii, pp. 1235 and 1237). Copies of the Convention and Declaration are annexed.

By the Convention the interest on the loan, which was fixed at 4 per cent. per annum, was guaranteed by Great Britain and France jointly, and the Porte agreed to pay the further rate of 1 per cent. per annum by way of sinking fund,

The interest and sinking fund were made a charge "on the whole revenues of the Ottoman Empire," and especially on the balance of the Egyptian Tribute unappropriated to the previous Loan of 1854, and moreover on the customs of Smyrna and Syria.

Finally, the Porte agreed to remit to the Bank of England, at stated half-yearly periods, the amounts payable in respect of this loan for interest and sinking fund, until the whole capital borrowed should be repaid.

The financial situation as regards this loan is as follows:—Turkey now owes on account of interest about 105,000*l.*, which sum has been wholly paid by England, France being liable to repay to her one moiety.

The capital of the loan now stands at 3,815,000*l.*, the stipulated interest on which (4 per cent.) amounts to 152,600*l.* per annum. Towards the payment of this sum the balance of the Egyptian Tribute, amounting to 72,000*l.* per annum, is paid to the Bank of England, leaving, in addition to the present arrears, 80,600*l.* per annum to be provided in future by England and France in case of default by the Porte. The Porte has ceased to pay anything towards the sinking fund since 1876.

In view of the risk which is apprehended of further defalcations by the Porte, the question has arisen whether, having regard to the terms of Article III of the Convention, whereby it is declared that the interest and sinking fund of the said loan "shall form a charge on the whole revenues of the Ottoman Empire," Her Majesty's Government would not be justified in retaining the surplus revenue of the Island of Cyprus, payable by them to the Porte under the Convention and Annex of the 4th June, 1878, hereinafter mentioned, in satisfaction of the arrears of interest and of sinking fund now due, or hereafter accruing due, by the Porte.

The terms on which Great Britain proposed to the Porte to occupy and administer the Island of Cyprus, and the objects of that proposal, were fully explained in the despatch of the Marquis of Salisbury to Sir Henry Layard of the 30th May, 1878 (Parliamentary Paper, "Turkey No. 30, 1878, p. 1).

In that despatch the following passage occurs:—"Her Majesty's Government do not wish to ask the Sultan to alienate territory from his sovereignty or to diminish the receipts which now pass into his Treasury. They will therefore propose that, while the administration and occupation of the island shall be assigned to Her Majesty, the territory shall still continue to be part of the Ottoman Empire, and that the excess of the revenue over the expenditure, whatever it may be, shall be paid over annually by the British Government to the Treasury of the Sultan."

The intention would therefore seem to have been that the revenues of Cyprus should be received by Great Britain in a fiduciary character.

I am now to refer you to the Convention of Defensive Alliance between Great Britain and Turkey of the 4th June, 1878, and to the Annex thereto of the same date (see Parliamentary Paper above cited, pp. 3–5), whereby the above proposal for the British occupation of Cyprus were carried out; and you will observe by Article III of the Annex it is provided that "England will pay to the Porte whatever is the present excess of revenue over expenditure in the island," such excess to be determined as therein mentioned.

This excess or surplus revenue of Cyprus payable by Great Britain, and which amounts to 90,000*l.* per annum, has been pledged by the Porte as part of the security given by her to carry out certain financial arrangements recently concluded.

Her Majesty's Government are disposed to make a proposal to the Porte in relation to the Loan of 1855, which has lately been under consideration, and which is likely to be advantageous to all parties; but, before doing so, they desire to be advised as to their strict legal rights.

I am therefore to request that you will take the facts stated in this letter, and the documents above referred to, into your consideration, and favour Lord Granville with your opinion on the following questions:—

1. Are Her Majesty's Government entitled to treat the surplus revenue of Cyprus as part of the revenues of the Ottoman Empire which are charged, by Article III of the Convention of 1855, with the payment of interest on the loan and sinking fund?

2. If so, is there anything opposed to international right or equity (apart from considerations of political expediency) in the retention by Her Majesty's Government of so much of the surplus revenue of Cyprus as may be sufficient to satisfy the arrears due by the Porte in respect of interest and sinking fund, or either of them, by way of enforcement, for the joint benefit of Great Britain and France, of the charge created on "the whole revenues of the Ottoman Empire" by Article III of the Convention of 1855?

3. If Her Majesty's Government are not entitled to retain the surplus revenue by way of enforcement of the said charge, are they entitled to retain the same by way of mutual credit and set-off, for the benefit of Great Britain only, and to the extent of her share of liability under the Convention of 1855, or generally on account of any pecuniary obligations of the Porte towards Great Britain?

I am to inclose (together with the other papers noted in the accompanying list*) a Case laid before your predecessors in 1878 by the Treasury in relation to the Loan of 1855, and to refer you to the questions submitted to them at p. 8, some of which are not irrelevant to the points now under consideration.

The Report of the Law Officers of the Crown on those questions will be found at p. 161 of the "Further Correspondence respecting Ottoman Loans, 1870-78: Part II" (Confidential No. 3849).

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 65.

Lord Lyons to Earl Granville.—(Received December 6.)

(No. 1117. Confidential.)

My Lord, *Paris, December 4*, 1880.

BARON G. DE SOUBEYRAN, President of the Banque d'Escompte de Paris, called upon me yesterday, and told me that he had come in hopes that I would allow him to speak to me on the subject of the Ottoman debts.

He began by saying that the French holders of Turkish stock were desirous of bringing about in Turkey an arrangement similar to that which had been just effected in Egypt, but that in order to do this all the stocks must be thrown into one common mass. No result could be obtained if the holders of the different loans took different lines, and asserted claims to special securities. The Porte was in a state of bankruptcy, a general liquidation was necessary, and all the assets of the bankrupt must be merged in one common fund to be applied for the benefit of the whole body of the creditors without distinction.

I may observe that this is the preliminary condition usually insisted upon by the French, the impression being that Englishmen hold the greater portion of the so-called privileged loans to which special securities are assigned.

Baron de Soubeyran went on to say that the first step to be taken was to set on foot an authoritative representation of the bondholders. So far as the French holders were concerned, measures had been adopted for this purpose. Some of the principal financial Companies at Paris had invited the holders of Ottoman securities to deposit the bonds at their offices in Paris. In return, receipts would be given which would

* Convention of 1855; Declaration of 1855; Parliamentary Paper, "Turkey No. 36 (1878)"; ditto, "Turkey No. 20 (1880)"; Case laid before the Law Officers by Treasury in 1878; Report thereon, p. 161; Further Correspondence, Part II, Ottoman Loans, 1876-78.

entitle the bearers to take part in general meetings which it was intended to hold. It was expected that nearly all the bonds would, in fact, be deposited, and if this were so, a Committee having full authority to speak and act on behalf of the holders might be easily and speedily appointed.

I asked Baron de Soubeyran what had been the occasion of these proceedings, and what was the special object assigned to the holders as an inducement to deposit their bonds.

He answered that occasion had been taken from the invitation to the bondholders to send delegates to Constantinople which had been issued by the Porte the month before last, and that the object assigned was to facilitate a compliance with this invitation. He added that it had been thought unadvisable to begin the operation while the question of Dulcigno was in suspense, but that that question having been now disposed of, the financial Companies would open their offices for the reception of the bonds on Monday next, the 6th instant.

In reply to observations from me, M. de Soubeyran said that it did not necessarily follow from what had been done that delegates would, in fact, be sent at once to Constantinople, or that the French bondholders would enter into direct negotiations with the Porte, independently of the French Government. Nothing would be done without the consent and countenance of that Government. It was, however, at the suggestion of the French Foreign Office that steps were being taken to form an authoritative Syndicate or Committee entitled to act for the bondholders. It was hoped that a similar Syndicate might be formed in London, and that the two Syndicates would act together under the direction and with the support of the British and French Governments.

I said to M. de Soubeyran that all these proceedings appeared to me to be premature, and to be likely to embarrass the endeavours of the Powers to make an impartial examination of the finances and resources of Turkey, and to effect a practical arrangement fair alike to the Porte and its creditors. It seemed to me that it was only in this way that there was any real probability of attaining his object of effecting in Turkey a liquidation somewhat similar to that which was working so well in Egypt.

M. de Soubeyran said that by far the largest part of the Turkish stock was held in France and England, and that he should wish to avoid the intervention of any other Powers. Italy, in which a not inconsiderable amount of stock was held, might, however, have some claim to admittance. He must in fairness say also that he had been told by M. de Radowitz, the late Representative of Germany here, that the German Government would not allow itself to be excluded.

M. de Soubeyran did not say anything about Austria, but with regard to Russia he made a singular statement. The Russian Government were, he observed, endeavouring to raise a loan in the French market. Now the loan could not succeed without the co-operation of the Companies with which M. de Soubeyran was acting, and those Companies might, he affirmed, require as a condition that Russia should not interfere with regard to the financial arrangements in Turkey.

Seeing probably that I was somewhat startled by this suggestion, M. de Soubeyran remarked that perhaps it had some look of "chantage" (taking an unfair advantage of special circumstances for purposes of extortion); and I did not contradict him.

M. de Soubeyran spoke also at some length of the probability which he conceived to exist, that England would find herself under the necessity of adopting a bi-metallic or concurrent gold and silver currency; but I failed to see how this bore upon the matter in hand.

M. de Soubeyran proceeded to affirm that the proposed Syndicate of French bondholders would certainly be supported by the French Government.

He had had, he told me, the day before an interview with M. Gambetta on the subject. M. Gambetta had said that he could do nothing until the Greek question was settled; that until then he must remain "l'arme au bras;" but that afterwards he would give his warm and energetic support to measures in favour of the holders of Ottoman bonds.

M. de Soubeyran added that M. Barthélemy St. Hilaire, while holding very much the same language, objected to any step being taken by the bondholders which could hamper the action of the Government at Constantinople.

I did not think it right to give any countenance or encouragement to M. de Soubeyran's plans.

I have the honour to inclose copies of the invitation to the holders of Turkish

stock to deposit their bonds which has been published. In the list of the Companies offering to receive the bonds your Lordship will find the Imperial Ottoman Bank.

I have, &c.
(Signed) LYONS.

No. 66.

Mr. Goschen to Earl Granville.—(Received December 7, 4 P.M.)

(No. 378.)
(Telegraphic.) *Constantinople, December 7, 1880, 12·30 P.M.*

MINISTER of Finance offers to apply surplus Cyprus revenue of this year (*i.e.*, the sum still under discussion between Cyprus Government and the Porte) to pay interest due on Guaranteed Loan, which he is anxious to discharge. He calculates the sum available at 85,000*l.* on the basis of his offer of 120 piastres per pound. He does not state that the two proposals hang together.

I am still without an answer to my despatch No. 501 of the 24th October, relating to exchange, so that I cannot discuss the question with the Minister.

No. 67.

Mr. Goschen to Earl Granville.—(Received December 9.)

E. C.
(No. 634. Confidential.)
My Lord, *Constantinople, December 1, 1880.*

IN Lord Lyons' despatches Nos. 1030 and 1031, Very Confidential, of which copies were inclosed in your Lordship's despatch No. 694 of the 18th ultimo, his Lordship explains the views of the French Foreign Minister as regards the nomination of delegates to serve on the International Financial Commission under the 18th Protocol of the Treaty of Berlin. His Excellency wished to give the bondholders a certain voice in the selection of the delegates.

I feel bound to state to your Lordship that I do not share this opinion. I think it would be much wiser for the Governments to keep the choice entirely in their own hands. One of the chief points to bear in mind in any arrangements for the settlement of the finances of Turkey is that various classes of creditors have conflicting interests, and I am convinced that the only mode of arriving at any settlement which would command respect and be accepted as satisfactory under the circumstances, is to proceed by means of an impartial body, nominated irrespective of bondholders' interests, who would act as a kind of Board of Arbitration, and which, hearing all parties, would ultimately propose a scheme which should appear most equitable towards all concerned.

I have heard, very confidentially, that the Government is consulting Mr. Foster, of the Ottoman Bank (but who is also Chairman of the Galata Syndicate, to whom the indirect revenues are pledged) with regard to the invitation issued to the bondholders to come to Constantinople. Communications have accordingly taken place between the Ottoman Bank and other establishments interested in Turkish finance in London and Paris, and I am given to understand that their disposition was favourable. The Galata Syndicate has thus been utilized by the Government for the purpose of persuading the bondholders to fall in with the Government's views, while the interests of the Syndicate and those of bondholders generally are very far from being identical. But many banking establishments are interested both in the loan due to the Syndicate and in Turkish bonds, and apparently these establishments are to be put forward to induce the bondholders generally to agree to some scheme which the Syndicate is now apparently anxious to see adopted.

The motive of the Galata Bankers is probably twofold. On the one hand, they are always anxious to please the Government. On the other, they have become somewhat alarmed as to their own position. At present they are the only favoured creditors. They are receiving 1,000,000*l.* a-year under the contract of November, and collecting the amount themselves. They claim that it is fair that they should thus be treated, because they lent the money at a time when the Government was in the greatest possible straits, and when it was a matter of life and death with the Porte to obtain this advance, and that they had not obtained securities, which were diverted for the purpose from other creditors, because the revenues assigned to them had been resumed by the Government

long before, and were not in the possession of other creditors. But I have seen symptoms of fears on their part that the arguments which are now used to justify their present position may be, before long, used against them; that the Porte will plead that it is again in a position when it is a matter of life and death to them to obtain money, and that the indirect revenues may be seized by the Government under the plea of absolute necessity. I do not share this view myself. It is inconsistent with the anxiety of the Government to take up the financial question within its present restricted limits; but the bankers may feel that their present position, under which, while no one else receives any interest or is repaid any capital, they are annually being repaid a large amount of capital, is one peculiarly open to attack, and that an arrangement on their part with the creditors generally, under which they may not be repaid so much of their capital, but may render the payment of their interest and their general position more secure, might be advantageous to them under the present very critical circumstances.

For my part, I am strongly of opinion that the Galata Syndicate ought not to interpose in the financial inquiry which is to take place, at all events, until much progress has been made, and, accordingly, I could not recommend Her Majesty's Government to favour such a combination as has been suggested to Baron Haymerle, according to your Lordship's telegram No. 799 of the 30th ultimo.

I have telegraphed, in reply, that I have not heard of the plan of associating the Galata Syndicate with delegates of the Powers in the financial inquiry, but that I was strongly opposed to such an idea. I called your Lordship's attention to the fact that, if representatives of the floating debt were admitted (for that is the character of the Syndicate), it would be indispensable to admit representatives of other classes of creditors also.

I expressed the hope that Her Majesty's Government would stand firmly by the view of either having a full and impartial inquiry into Turkish finance as a political measure of vital importance, as well as interesting to bondholders, or, on the other hand, of standing entirely aloof, if the question were only to be the discussion of illusory and inadequate proposals for the momentary satisfaction of creditors.

I have, &c.
(Signed) GEORGE J. GOSCHEN.

No. 68.

Lord Lyons to Earl Granville.—(Received December 10.)

(No. 1131.)
My Lord, *Paris, December 9, 1880.*

IN my despatch No. 1117 of the 4th instant, I inclosed copies of an invitation to the Turkish bondholders which had been published by nine important Financial Companies at Paris.

I have now the honour to transmit to your Lordship an article inserted in the "Journal des Débats" of this morning, from which it appears that a rival invitation is addressed to the bondholders by an establishment bearing the title of "'Caisse Mutuelle de Dépôt et Consignation des Valeurs Ottomanes,' dont le siège est à Paris, Avenue de l'Opéra, 5."

I have, &c.
(Signed) LYONS.

Inclosure in No. 68.

Extract from the "Journal des Débats" of December 9, 1880.

LA presse s'est beaucoup occupée depuis quelque temps de l'activité déployée par plusieurs groupes financiers dont le but commun est la mise en œuvre des revendications présentées à la Porte par tous ses créanciers.

La Banque Ottomane et quelques autres établissements de crédit sollicitent le mandat des porteurs de fonds Ottomans concurremment avec la Caisse Mutuelle de Dépôt et Consignation des Valeurs Ottomanes, dont le siège est à Paris, Avenue de l'Opéra, 5.

Il nous semble hors de doute que les intérêts des créanciers seront défendus avec avantage par cette Caisse Mutuelle, qui n'a jamais émis de valeurs Turques et se propose un but absolument désintéressé.

La Banque Ottomane et son groupe, au contraire, créanciers depuis longtemps de la Sublime Porte, ne peuvent pas se prévaloir d'intentions identiques à celles de la Caisse Mutuelle; rien, d'ailleurs, ne saurait persuader au public que ce groupe financier sacrifierait la revendication de ses droits et ferait passer le public avant lui.

La Caisse Mutuelle, disposée à tous les sacrifices et appuyée par le Comité des porteurs de la Dette Turque, qui a fait ses preuves depuis longtemps, se présente dans des conditions morales absolument indiscutables.

Elle a su s'adjoindre, pour élever encore les garanties qu'elle offre, un groupe de fidéi-commissaires, dont la composition seule peut être considérée par les porteurs de fonds Ottomans comme la preuve anticipée de ces intentions et aussi de son influence.

Les créanciers de la Sublime Porte ont donc tout intérêt à grossir le nombre déjà considérable des adhérents au projet de la Caisse Mutuelle, à contribuer ainsi pour leur part à la réalisation d'efforts tentés dans leur intérêt sans arrière-pensée, et, encore une fois, dans des conditions d'influence que ne peut leur offrir aucun des autres groupes financiers qui font appel à leur appui.

Il y a cette différence notable entre ceux-ci et la Caisse Mutuelle, que d'un côté on sollicite un concours, et que de l'autre on l'offre; car l'œuvre du Comité dont nous parlons plus haut a une valeur et un passé que les projets de la Banque Ottomane et de ses cointéressés ne sauraient avoir.

No. 69.

Sir H. Elliot to Earl Granville.—(*Received December* 13.)

E

(No. 780. Confidential.)

My Lord, *Vienna, December* 3, 1880.

I LEARN that Baron Haymerle has been very strongly urging the Turkish Ambassador to recommend his Government not to refuse to agree to the formation of an International Commission for examining into the state of the Turkish finances.

He asked Edhem Pasha to represent to the Porte that it was not only the right, but, in some degree, the duty of foreign Governments, when they found their subjects refused the payment of debts acknowledged to be due to them, to ascertain the grounds upon which such payment was withheld, and whether there might not be the means of satisfying the claims in whole or in part.

No Commission instituted by the Porte alone would, he said, inspire the confidence that would be felt in one composed of men selected by the different Governments on account of their fitness for the task; and the Turkish Government would themselves be the chief gainers by the immediate improvement which would result to their credit.

I understand Baron Haymerle to have let the Ambassador understand distinctly that he was not advocating any such measure as had been applied to Egypt, but simply a Commission of Inquiry.

I was informed to-day that the project which I mentioned to your Lordship as being under consideration was well advanced towards completion, and would soon be in a state to be submitted to the opinion of the several Cabinets; but I did not obtain any further information in regard to it.

I have, &c.

(Signed) HENRY ELLIOT.

No. 70.

Lord Lyons to Earl Granville.—(*Received December* 13.)

E

(No. 1140.)

My Lord, *Paris, December* 11, 1880.

WITH reference to my despatches No. 1117 of the 4th instant and No. 1131 of the 9th instant, I have the honour to transmit to your Lordship a notice from the Ottoman Embassy to the Turkish bondholders which has just appeared in the newspapers.

It would seem that the object of it is to proclaim that the nine Financial Companies who have offered to receive deposits of Turkish bonds are acting in concert with the Porte, and to declare that in order to be recognized by the Porte Delegates of the bondholders must be appointed in virtue of such deposits.

I have, &c.

(Signed) LYONS.

Inclosure in No. 70.

Extract from the "Journal des Débats" of December 11, 1880.

L'AMBASSADE Impériale Ottomane informe les détenteurs de Fonds Ottomans que les délégués qui seront accrédités auprès du Gouvernement Impérial, conformément à l'Avis publié le 23 Octobre dernier, doivent être munis d'un mandat régulier ne pouvant résulter que du dépôt préalable des titres dans les Caisses des établissements financiers qui ont répondu jusqu'ici à l'appel du Gouvernement Impérial, savoir:—

Banque de Paris et des Pays-Bas.
Banque d'Escompte de Paris.
Banque Impériale Ottomane.
Comptoir d'Escompte de Paris.
Crédit Lyonnais.
Société de Crédit Mobilier.
Société de Dépôts et de Comptes-courants.
Société Générale de Crédit Industriel et Commercial.
Société Générale pour favoriser le développement du commerce et de l'industrie en France.

No. 71.

Lord Lyons to Earl Granville.—(*Received December* 14.)

(No. 1142.)

My Lord; *Paris, December* 12, 1880.

IN my despatch No. 1140 of yesterday I inclosed a note which had been published by the Ottoman Embassy here, and which announced that delegates from the Ottoman bondholders to the Porte must be appointed in virtue of deposits of bonds with the financial Companies which had responded to the appeal of the Turkish Government ("doivent être munis d'un mandat régulier ne pouvant résulter que du dépôt préalable des titres dans les Caisses des établissements financiers qui ont répondu jusqu'ici à l'appel du Gouvernement Impérial."

I have now the honour to transmit to your Lordship a letter signed on behalf of a Committee of French bondholders by the Comte de Tocqueville, which protests against the Porte's excluding from the negotiations the "Caisse Mutuelle de Dépôt et Consignation des Valeurs Ottomanes, dont le siège est à Paris, 5, Avenue de l'Opéra."

I forwarded to your Lordship in my despatch No. 1131 of the 9th instant an article respecting this "Caisse" which had appeared in the "Journal des Débats."

The statement in the postscript of Comte de Tocqueville's letter, that the Imperial Ottoman Bank does not appear in the list of Companies appended to the notice of the

Turkish Embassy, would appear to be incorrect. The name of that bank certainly appears in the copies of the notice that I have seen.

I have, &c.
(Signed) LYONS.

Inclosure in No. 71.

Extract from the "Journal des Débats" of December 12, 1880.

LE Comité des Porteurs Français de la Dette Turque, dont le siège est à Paris, 10, Place Vendôme, vient d'adresser à l'Ambassade Ottomane à Paris la lettre suivante :

"A son Excellence Essad Bey, Ambassadeur de la Sublime Porte, à Paris.

"M. l'Ambassadeur, "*Paris, le* 10 *Décembre*, 1880.

"Les journaux de ce matin publient une note officielle de l'Ambassade Ottomane déclarant que le Gouvernement Turc ne reconnaîtra comme délégués de ses créanciers que les seuls délégués de certains établissements de crédit.

"Nous prenons la liberté d'appeler l'attention de votre Excellence sur la gravité de cette déclaration, qui est absolument contraire aux décisions du Congrès de Berlin, lequel a prévu l'institution d'une Commission Internationale pour le réglement de la question financière Ottomane.

"Votre Excellence a oublié, en faisant cette communication, qu'il y a en France de très-nombreux porteurs de valeurs Ottomanes, qui veulent être représentés par des délégués de leur choix, et que le Gouvernement Français a officiellement protesté contre la Convention de Galata, que les établissements financiers ont seuls intérêt a faire revivre.

"C'est afin de ne pas confier aux établissements financiers la défense de leurs intérêts que les porteurs ont constitué une Caisse Mutuelle de Dépôt et Consignation des Valeurs Ottomanes, dont le siège est à Paris, 5, Avenue de l'Opéra.

"Nous ne saurions admettre que le Gouvernement de la Sublime Porte voulût traiter en dehors de cette représentation légitime et directe des porteurs de la dette inscrite.

"Nous en référons d'ailleurs à notre Gouvernement.

"Veuillez, &c.
(Signé) "Comte de TOCQUEVILLE."

"P.S. Nous constatons que, dans votre publication de ce jour, vous ne mentionnez pas la Banque Impériale Ottomane, qui avait été indiquée précédemment comme devant recevoir les titres et envoyer des délégués."

No. 72.

Lord Lyons to Earl Granville.—(Received December 15.)

(No. 1143.)
My Lord, *Paris, December* 14, 1880.

THE newspapers publish this morning a letter addressed by Essad Bey, the Ottoman Ambassador here, to the Comte de Tocqueville, in answer to the protest, on behalf of the "Caisse Mutuelle de Dépôt et Consignation de Valeurs Ottomanes," of which a copy was transmitted to your Lordship with my despatch No. 1142 of the day before yesterday.

I inclose herewith a copy of the letter in question. It states, with reference to the notice from the Ottoman Embassy against which the protest was made, that the enumeration in that notice of the financial establishments with which bonds may be deposited, does not exclude the co-operation of other Companies which distinctly accept the invitation issued by the Embassy in October, provided always that the delegates named by the bondholders be deputed to treat with the Ottoman Government directly, and without any foreign intervention.

"Cette désignation ne repousse nullement le concours d'autres établissements qui voudraient entrer dans cette voie, et n'apporte aucune entrave à l'exercice des droits

des porteurs de titres, étant entendu que leurs délégués doivent être investis du mandat de délibérer directement, sans aucune immixtion étrangère, avec le Gouvernement Impérial qui les y a conviés."

I have, &c.
(Signed) LYONS.

Inclosure in No. 72.

Extract from the "Journal des Débats" of December 14, 1880.

L'AMBASSADEUR de Turquie a adressé à M. de Tocqueville la lettre suivante, en réponse à celle que ce dernier lui avait écrite le 10 courant :—

"A M. de Tocqueville, &c.
"Monsieur,

"L'Avis que l'Ambassade Impériale Ottomane a fait publier, et au sujet duquel vous avez cru devoir m'adresser votre lettre du 10 Décembre, avait pour objet d'indiquer aux intéressés la marche à suivre pour arriver à constituer une délégation régulière des porteurs de fonds Ottomans, conformément à l'appel qui leur a été fait par le Gouvernement Ottoman dans sa publication du 23 Octobre dernier.

"Le choix des établissements qui peuvent recevoir les titres en dépôt n'est point imposé aux porteurs, et le nombre n'en est point limité ; mais les établissements dont les noms figurent dans l'Avis de l'Ambassade Ottomane étant les seuls qui se soient présentés jusqu'ici pour répondre à l'appel du Gouvernement en se référant aux termes de cet appel, il était nécessaire, pour éviter tout malentendu, que ces établissements fussent nominativement désignés. Cette désignation ne repousse nullement le concours d'autres établissements qui voudraient entrer dans cette voie, et n'apporte aucune entrave à l'exercice des droits des porteurs de titres, étant entendu que leurs délégués doivent être investis du mandat de délibérer directement, sans aucune immixtion étrangère, avec le Gouvernement Impérial qui les y a conviés.

"Je constate que ce programme, que le Gouvernement Impérial a approuvé, diffère essentiellement de celui qu'a adopté votre Comité et qui est confirmé par la lettre à laquelle je réponds.

"Veuillez, &c.
(Signé) "ESSAD."

No. 73.

Mr. Goschen to Earl Granville.—(Received December 17.)

(No. 658. Confidential.)
My Lord, *Constantinople, December* 8, 1880.

I HAVE the honour to forward herewith to your Lordship, in original, a memorandum which has been confidentially communicated to me by Mr. Foster, the Director of the Imperial Ottoman Bank, with regard to certain statements of the Ottoman Finance Minister relative to the administration of the six indirect contributions.

I have, &c.
(Signed) GEORGE J. GOSCHEN.

Inclosure 1 in No. 73.

Memorandum by Mr. Foster respecting the "Six Contributions Indirectes" (Tobacco, Salt, Spirits, Stamps, Silk, Fisheries).

THE Finance Minister states publicly that the new Administration of these revenues has proved disastrous for the country; that under this Administration, of which I am President, the revenue has fallen away, the expenditure has increased.

In proof of this assertion he compares the receipts of the present year with those of the years before, or during the late war.

This comparison is defective, on the following grounds:—

1. The extent of territory subject to taxation has been largely curtailed.

2. Even by deducting the revenue received in these detached provinces, the comparison would not show the real result, for articles such as salt, tobacco, and spirits consumed in those provinces used to pass largely through Constantinople. Now they no longer do so, and Constantinople loses the revenue which formerly came to her credit.

3. The misery which exists, and which is increasing every day, is rapidly diminishing the consuming power of the population.

4. The revenue prior to the present year was partly received in caimé, of which 400 piastres were received as 100 piastres gold.

The Minister in his calculations counts caimé piastres at par in place of reducing them to their equivalent in gold.

There are also certain exceptional circumstances to be borne in mind which affect this year, but which will probably not be felt in future years.

1. As regards the salt revenue.

Before the close of last year it became known that the Government would cease to receive payment in caimé for salt sold from the Government stores.

The result was that immense quantities of salt were at once purchased with caimé before the Decree came into operation, and the present year commenced with a stock in the hands of traders sufficient almost for the consumption of the year. Consequently, the sales of salt by our Administration have been limited, and the revenue reduced in proportion.

2. As regards the spirit duties.

In this case the Government decided contrary to our views that all receipts derived from the vintage of the previous year should belong to the revenue of that year, so that all we receive under this head has to be handed over to the Government. Thus, for the first half of the present year, we have been deprived of all revenue from this source. It is from the vintage just completed that we shall commence drawing revenue.

3. As regards the fishery receipts.

A large portion of these receipts arise from the fish called chiros. These arrive in large shoals, and when caught are dried in the sun and packed for exportation. In ordinary years duty is paid on some 15,000,000. This year, owing to the exceptionally cold and late spring, the take of fish did not much exceed 2,000,000.

There are also other difficulties we have to contend against. We have had to take over the whole of the Turkish staff of employés, to a great extent inefficient, if not corrupt.

It is only with time that we can weed out the worst class and improve the remainder by encouragement and efficient supervision.

Then again, instead of being aided in preventing fraud and contraband by the local authorities, we find that in many cases they are leagued with the contrabandists who escape, whilst our employés get put into prison.

The laws and regulations are extremely defective, and, in accordance with the stipulations of our Convention, we submitted various amendments with the view of checking fraud and punishing contraventions of the laws and regulations.

These amendments were submitted to the Financial Commission, and after prolonged investigation and slight modifications were accepted unanimously by the Commission, and recommended to the Government for adoption.

The Council of Ministers seem also to have accepted them; but now for eight months we have been struggling to obtain the necessary Iradé, and have constantly set forth the heavy loss of revenue caused by this delay. But all has been in vain. Though promised week by week that the Iradé shall issue we have almost lost hope of carrying the amendments which, under our Convention, we are justified in demanding from the Government.

Notwithstanding all these disadvantages, we do not fear any fair comparison of the results of our Administration during the nine months it has been in our hands with those of a similar period of the preceding year, so soon as the Government is prepared with the accounts of its own administration. At present the Government, owing to the difficulty of communication with distant parts of the Empire, is not in a position to render the accounts of the revenue received by them for the last year. Are

they then in a position to pass judgment on the results of our Administration during the present year?

In certain cases we have been able to make a comparison between the first months of our Administration and similar periods under Ottoman Administration, and, except in the disturbed districts of Albania and some very exceptional cases, the comparison is markedly favourable to our Administration.

If from the very commencement there is improvement, a much larger result may be anticipated when order and method have been fully introduced.

With respect to the Ministers' charge, that we have largely increased the expenditure of collection, it may be observed that we have been burdened with the whole staff of the Turkish employés, to which we have added an inspecting staff of control which may increase expenditure, but at the same time will be largely compensated for by increase of revenue.

After all, however, by means of better arrangements, the expenditure, including the service of inspection, is scarcely larger than last year. Complaints, however, are reaching us from the provinces, where many of the employés demand increase of salaries on the ground that we have cut off sources of extra profits, on which they had lived much more than on their salaries.

The whole subject has been referred for investigation to the Financial Commission. We have, as I have already said, no fear of any fair investigation, but we do consider it proper that the Finance Minister should desist from his attacks until the Financial Commission has made its Report.

(Signed) M. H. FOSTER.

November 22, 1880.

Annex.

TABLEAU général comparatif des recettes et frais du Nazaret de Salonique et dépendances, de six mois, du 1/13 Mars au 1/13 Septembre 1879-80. Il ressort de ce Tableau général que les recettes des six mois de 1880 présentent un excédant de 1,701,234½ piastres sur la période correspondante de 1879, et que les frais d'Administration montrent une diminution de 334,374 piastres en faveur de six mois de 1880, savoir:—

Mudiriets.	Recettes en 1879.	Recettes en 1880.	Appointements et Frais— 1879.	1880.
	Prs. p.	Prs. p.	Prs. p.	Prs. p.
Salonique	1,070,129 60	2,614,303 30	770,523 75	612,127 45
Volo	471,822 15	668,274 77½	140,681 70	106,467 22½
Larisso	230,053 07½	384,313 25	105,105 27½	107,776 37½
Cavalla	780,998 97½	1,031,068 37½	284,235 60	240,364 52½
Serrès	338,172 75	278,305 42½	121,239 72½	120,821 45
Monastir	472,430 77½	506,056 37½	140,713 95	146,321 15
Uskup	200,777 37½	176,176 80	100,701 12½	174,919 52½
Prizren	73,046 10	62,231 65	72,867 97½	69,293 22½
Novi-Bazar	70,721 07½	95,365 75	51,803 42½	54,416 60
	4,314,856 17½	6,016,090 70	1,871,872 52½	1,567,498 37½
		4,314,856 17½		1,871,872 52½
Différence en faveur de 1880 ..	..	1,701,234 52½	..	
Diminution de frais en faveur de 1880	..	..	..	334,374 15

Il convient de remarquer que les Mudiriets de Salonique, Volo, Larisse, Cavalla, Monastir, et Novi-Bazar, montrent un excédant de 1,708,217 piastres en faveur des six mois de 1880, excédant qui est diminué de 96,982 piastres de déficit présenté, pour la même période, par les Mudiriets de Serrès, d'Uskup, et de Prizren.

Les revenus présentés par le Tableau ci-dessus se décomposent comme suit :—

	En 1879.	En 1880.
	Prs. p.	Prs. p.
Tabac	2,706,792 00	3,718,137 20
Sel	501,710 00	872,285 17½
Spiritueux	380,600 50	554,027 77½
Timbre	725,753 67½	810,740 55
Total, égaux ..	4,314,856 17½	6,016,090 70

Nazaret de Bagdad.

	1879.	1880.	
	Prs. p.	Prs. p.	
Janvier	128,223 00	367,048 00	Excédant en faveur de 1880, 468,905 prs.
Février	517,199 00	202,131 00	
Mars	246,222 00	156,307 00	
Avril	220,156 00	197,576 00	
Mai	159,847 00	388,332 00	
Juin	217,245 00	545,410 00	
	1,488,892 00	1,947,797 00	

Ismidt et Dépendances.

Mars	..	410,658 45	
Avril	..	502,305 80	
Mai	..	592,302 12	
Juin	..	703,959 95	

Ismidt, sans les Dépendances.

Juillet	..	409,568 22	
Août	..	303,001 22	

Smyrne.

Mars	..	4,007,324 79	Excédant en faveur de 1880— Prs. p.
Avril	1,481,498 00	4,974,735 04	3,493,237 04
Mai	1,214,980 14	3,092,526 25	1,877,546 11
Juin	679,515 36	2,979,623 03	2,300,107 70

Nazaret de Metelin.

Mudiriet de Metelin.

Janvier	..	23,974 10	
Février	..	92,068 95	
Mars	..	50,658 50	
Avril	..	41,164 45	
Mai	..	68,838 00	
Juin	32,157 95	55,441 20	Différence en faveur des 4 mois de 1880— Prs. p. + 271,044 92½
Juillet	26,744 65	52,957 40	
Août	34,670 97½	107,002 27½	
Septembre	16,761 70	165,979 12½	

Mudiriet d'Aivaly.

Janvier	..	16,302 02	
Février	..	167,803 12	
Mars	..	43,612 00	
Avril	..	209,140 00	
Mai	..	29,770 00	
Juin	4,849 37½	26,974 12½	Différence en faveur des 4 mois de 1880— Prs. p. + 189,215 21
Juillet	2,728 37½	37,706 00	
Août	16,462 20	120,311 92½	
Septembre	2,099 71½	351,262 87½	

Mudiriet d'Adramitt.

Janvier	..	20,468 55	
Février	..	40,816 12½	
Mars	..	19,400 25	
Avril	..	23,310 25	
Mai	..	41,525 47	
Juin	18,150 25	54,181 77½	Différence en faveur des 4 mois de 1880— Prs. p. + 90,730 55
Juillet	14,029 00	41,952 82½	
Août	16,976 25	29,669 42½	
Septembre	24,537 07½	47,737 75	

Mudiriet de Ténédos.

	1879.	1880.	
	Prs. p.	Prs. p.	
Janvier	..	2,020 55	
Février	..	12,740 25	
Mars	..	4,719 50	
Avril	..	8,070 50	
Mai	..	7,041 15	
Juin	18,562 30	9,038 84½	Excédant en faveur des 4 mois de 1879— Prs. p. 9,411 60½
Juillet	12,140 24	10,077 43	
Août	9,086 41	11,607 07	
Septembre	16,527 60	15,471 00	

Nazaret de Salonique.

Mudiriets.	Période.	1879.	1880.	Excédant 1879.	Excédant 1880.
		Prs. p.	Prs. p.	Prs. p.	Prs. p.
Salonique ..	Du 1/2 Mars au 31 Août	1,650,120 60	2,814,333 36	..	1,164,204 00
Larisse	.. ..	230,053 07½	384,313 25	..	153,260 17½
Serrès	.. ..	308,172 75	278,305 42½	59,867 32	..
Volo	.. ..	471,822 15	668,274 77½	..	196,452 62½
Uskop	.. ..	200,577 37½	175,176 80	25,401 57	..
Prizren	.. ..	73,946 40	62,231 65	11,714 00	..
Monastir ..	.. ..	472,489 07½	506,956 07½	..	34,517 20
Cavalla	.. ..	..	686,001 34	..	..
Novi-Bazar ..	.. ..	..	96,335 75	..	..

Yuzgat.

	1879.	1880.	Excédant en faveur de 1880.
	Prs.	Prs.	Prs.
Du 1/1 Janvier au 1/2 Juillet	3,075,972	4,049,643	477,572
Du 1/2 Juillet au 1/1 Août	1,352,116	1,644,725	312,609

Nazaret de Trébizonde-Samsoun.

Mudiriets.	Période.	1879.	1880.	Excédant 1879.	Excédant 1880.
		Prs. p.	Prs. p.	Prs. p.	Prs. p.
Trébizonde ..	Du 1/2 Mars au 31 Août	2,435,611 07½	3,435,297 02½	..	1,306,685 94
Kérassunde ..	.. ..	520,185 56½	654,650 19	..	125,100 62½
Samsoun ..	.. ..	1,202,070 72½	1,238,985 00	21,011 72½	..
Sinope	.. ..	210,482 39	311,339 49	..	94,857 14
Isnboli	.. ..	210,011 55	303,077 17½	..	93,065 62½
Amassia	.. ..	307,069 69	155,052 55	152,017 10	..
Tokat	.. ..	180,710 02½	163,000 37½	17,146 64	..
Casaboni ..	.. ..	550,670 27½	324,782 00	25,883 00	..
		5,628,050 24½	6,480,599 80½	219,059 46½	1,625,869 33

No. 74.

Lord Lyons to Earl Granville.—(*Received December 17.*)

E

(No. 1157. Confidential.)

Paris, December 16, 1880.

My lord,

IN my despatches No. 1117 of the 4th instant, No. 1131 of the 9th instant, No. 1140 of the 11th instant, No. 1142 of the 12th instant, and No. 1143 of the day before yesterday, I had the honour to give to your Lordship full accounts of the recent proceedings of certain Financial Companies at Paris, of the Comte de Tocqueville, and of the Ottoman Embassy here, with regard to the proposed appointment of delegates to negotiate with the Porte on behalf of the holders of Ottoman stock.

I spoke to M. Barthélemy St. Hilaire on these matters yesterday, and I found that his Excellency's views had undergone a not inconsiderable change.

Your Lordship will remember that at the beginning of last month his Excellency accepted in principle, on the part of the French Government, the proposal of Her Majesty's Government that the Representatives of the Powers at Constantinople should be authorized by their respective Governments to consult as to the best means, and the most favourable moment, for calling upon the Porte, after the cession of Dulcigno, to carry into effect the recommendation in the 18th Protocol of the Berlin Congress relative to the convocation of an International Financial Commission. Nor will your Lordship have forgotten that while suggesting that the bondholders should be consulted in a certain measure in each country on the choice of the delegates to sit in this Commission, M. Barthélemy St. Hilaire considered it necessary that the Governments should keep the actual appointment of the delegates in their own hands.

Yesterday, however, M. Barthélemy St. Hilaire seemed to abandon the idea of the International Commission altogether, and to consider it desirable that the bondholders should themselves select delegates to treat with the Porte directly and without any ostensible intervention on the part of the Governments.

He had, he said, become convinced that the difficulty of getting the Porte to agree to the International Commission would be immense, indeed insuperable. He had been warned by Essad Bey, the new Ottoman Ambassador, that the Porte dreaded above all things being placed under the tutelage of the Powers in financial matters, as the Egyptian Government had been. It appeared in fact, M. Barthélemy St. Hilaire proceeded to observe, that, under the influence of this dread, the Porte took umbrage at the smallest appearance of any interference of the Powers. It would oppose to a demand for the convocation of the International Commission all the means of passive resistance which it knew so well how to use, and would, to say the least, have recourse to interminable delays, which would be most injurious to the interests of the creditors. On the other hand, M. Barthélemy St. Hilaire was assured that, if only to guard itself against being pressed to agree to the International Commission, the Porte was disposed to come to a satisfactory arrangement by direct negotiation with its creditors.

In this state of things it appeared to M. Barthélemy St. Hilaire that the most practical course would be to make use of the machinery provided by the invitation of the Porte to its creditors to send delegates, duly authorized to represent them, to Constantinople. It was, he said, as I had, of course, seen in the newspapers, proposed that the delegates should be named in virtue of deposits of bonds with some of the principal Financial Companies in Paris. Over these Companies the French Government would have quite sufficient influence to insure, in the first place, that delegates acceptable to it should be selected; and, in the second place, that the delegates so selected should act under its inspiration when they were at Constantinople. In this way, then, the objects of the International Commission might probably be attained without friction with the Porte, and a fair arrangement be made between Turkey and her creditors within a reasonable time. An assignment to the creditors of the administration of certain branches of the revenue would no doubt form part of such an arrangement. The delegates of the creditors would certainly insist that the maintenance of this assignment should be secured by the appointment of Inspectors named by their Governments, or by securing in some other form the guarantee, or at least the countenance, of the Powers. A mode of effecting this, which would not wound the pride of the Sultan, might be devised, while the consent of the Porte might be looked for in consideration of pecuniary advantages to be obtained by the Ottoman Treasury.

In fact, M. Barthélemy St. Hilaire's language implied that he concurred in the proceedings of the nine Paris Financial Companies, and would be glad that the example set by them should be imitated in other countries.

I made some observations on the change which had taken place in M. Barthélemy St. Hilaire's views. I expressed doubts whether the influence which he expected to exercise over the French bondholders and the French delegates could be exercised in the same degree over their bondholders by the Governments of other countries. Nor, indeed, I said, could I feel sure that even in the case of the French it would be really efficacious in detail. The plan his Excellency proposed seemed to me more likely to produce some temporary, and very possibly illusory, arrangement for the immediate satisfaction of the bondholders, than any permanent improvement in the Ottoman finances. It appeared, in fact, to me, I added, that this mode of action could hardly contribute at all to the attainment of the objects of political importance, as well as of interest to the bondholders, which might be reached by the full and impartial inquiry into the finances of the Ottoman Empire to be made by the International Commission contemplated by the Protocol of Berlin.

M. Barthélemy St. Hilaire replied that he should himself very much prefer the plan of an International Commission, but that he must confess he did not consider it feasible in the present disposition of the Porte.

I have heard from another quarter that the advocates of direct negotiation with the Porte count (I know not with what reason) very much on the support which the delegates of the foreign bondholders would receive from the native, and particularly from the Mussulman, holders of bonds at Constantinople, and upon the dread which the Sultan and the Porte would feel of encountering the displeasure which would be manifested by these important classes, if their hopes of a satisfactory arrangement respecting the public debts were disappointed.

I have, &c.
(Signed) LYONS.

No. 74*.

Mr. Herbert to Lord Tenterden.—(*Received December* 18.)

Downing Street, December 17, 1880.

Sir,

WITH reference to that part of the letter from this Department of the 24th ultimo, which referred to the question of applying the sum due to the Porte from Cyprus revenues to the payment of the interest on the Imperial Ottoman Loan of 1855, I am directed by the Earl of Kimberley to transmit to you the accompanying copy of a despatch from Her Majesty's High Commissioner on the subject, and I am to request you, in laying this letter before Earl Granville, to suggest that his Lordship should cause Sir R. Biddulph's despatch to be communicated to the Treasury for consideration, in connection with the question now before that Department.

I am, &c.
(Signed) ROBERT G. W. HERBERT.

Inclosure in No. 74*.

Sir R. Biddulph to Earl Granville.

Nicosia, November 12, 1880.

My Lord,

I HAVE had the honour to receive your Lordship's despatch of the 20th ultimo, transmitting, for my information, copies of two letters from the Treasury, dated 12th and 27th August respectively, concerning the payment of the surplus revenue of Cyprus to the Porte.

These letters deal principally with the question whether the surplus revenue of Cyprus should not be paid to the British Exchequer in satisfaction of debts due by Turkey to Great Britain, and it is stated that the Treasury cannot offer any advice or opinion as to the manner in which payment should be made at Constantinople, until it be first decided whether payment is to be made there at all.

I beg leave to be permitted to point out that the question raised by the Treasury is a secondary question, with which the Government of Cyprus has no concern, and on which it is not within my province to offer an opinion; but that so long as Her Majesty's Government direct that the payment in question be made by this Government out of local revenues, the amount which would be due at Constantinople is the very essence of the whole matter. It is impossible to admit of any argument which seems to say that if Cyprus is to make this payment to Turkey it will be so much, but if the payment is to be impounded by a creditor it is to be a larger sum. On the contrary, I conceive that the Government of Cyprus, in making over the sum to a creditor, has a right to say that they shall not incur any loss by such transfer of the place of payment.

I observe that the Treasury letter of the 27th August states that their Lordships consider themselves in this matter as representing the British Exchequer, and I have therefore the less hesitation in thus criticizing the views expressed in it, representing as I do the inhabitants of Cyprus, who, not having been allowed a voice in the matter, are entitled to look to me and to Her Majesty's Government to see that their interests suffer no material damage.

Although it would be convenient to have the matter settled finally, and so close

the discussion with Turkey, yet I shall be prepared to convert the payment for the current year into gold on a basis that cannot be disputed when the time for payment arrives; but I must observe that should the "métallique" currency of Turkey be demonetized, of which there appears to be a probability, it will be absolutely necessary to come to a decision on the points raised in my despatch of the 17th December, 1879, in order to be able to make any payment at all to anybody.

I have, &c.

(Signed) ROBT. BIDDULPH.

No. 75.

Earl Granville to Mr. St. John.

(No. 832.)
(Telegraphic.) *Foreign Office, December 27, 1880, 7·30 P.M.*

REFERRING to Mr. Goschen's telegram No. 378 of the 7th December, the Treasury wants to know whether the Turkish Government's offer is that the Cyprus surplus shall be taken at 85,000*l.* per annum permanently, or only so long as it is applied to the payment of the amount overdue on the Guaranteed Loan. The amount now overdue to the guaranteeing Powers is more than 100,000*l.* What, therefore, does the expression "this year" mean?

If the Turkish Government offers 120 piastres per pound sterling for the purpose only of making good the payments overdue on the Guaranteed Loan, why does it confine that rate to that purpose only? The precise extent of the proposal must be stated before the case can be satisfactorily considered.

No. 76.

Earl Granville to Mr. St. John.

(No. 783. Extender.)
Sir, *Foreign Office, December 27, 1880.*

I HAVE received and referred to the Lords Commissioners of Her Majesty's Treasury Mr. Goschen's telegram No. 378 of the 7th instant, stating that the Turkish Minister of Finance has offered to apply the surplus Cyprus revenue of the present year towards the payment of the interest due on the Guaranteed Loan.

Their Lordships have now informed me, with reference to this proposition, that they are anxious to learn whether they are to understand that the offer of the Turkish Government is to the effect that the Cyprus surplus shall be taken at 85,000*l.* per annum permanently, or only so long as it is applied to the payment of the amount overdue on the Guaranteed Loan. They observe that the amount now overdue to the Guaranteeing Powers on account of the above loan is upwards of 100,000*l.*, and under these circumstances would wish to be informed what is the meaning of the expression "this year" which occurs in the Turkish Minister's proposition.

Their Lordships further inquire, if the Turkish Government offers 120 piastres per 1*l.* sterling for the purpose only of making good the payments overdue on the Guaranteed Loan, why it confines that rate to that purpose only?

You will therefore be so good as to acquaint the Turkish Minister that the precise extent of his proposition must be clearly set forth before Her Majesty's Government can enter into a satisfactory consideration of it.

I am, &c.

(Signed) GRANVILLE.

No. 77.

Mr. St. John to Earl Granville.—(Received December 28, 2·40 P.M.)

(No. 397.)
(Telegraphic.) *Constantinople, December 28, 1880, 11·20 A.M.*

GENERAL TEWFIK PASHA appointed Minister of Finance. Surplus revenue of Evcaf, instead of being, as hitherto, a fund for constructing and repairing mosques, will be applied to war purposes. Governors are ordered to remit half gross revenue of provinces to Ministry of Finance, which is now virtually a War Department.

No. 78.

Mr. St. John to Earl Granville.—(Received December 28, 8·47 P.M.)

(No. 398.)
(Telegraphic.) *Constantinople, December 28, 1880, 7 P.M.*

YOUR Lordship's telegram No. 832.

Note from Porte of the 13th October, inclosed to your Lordship in Mr. Goschen's despatch of the 22nd October, states that it is for year 1879 only that Cyprus surplus will be taken at 85,000*l.*

It was distinctly stated to our Dragoman on the 5th December at Financial Department that only for above-mentioned year would amount overdue to guaranteeing Powers be paid out of Cyprus surplus, the reason being that for current year Cyprus surplus is already pledged to Galata banks (see Sir H. Layard's despatch No. 1056 of the 1st December of last year).

No. 79.

Lord Lyons to Earl Granville.—(Received January 5.)

E
(No. 6. Confidential.)
My Lord, *Paris, January 4, 1881.*

MY previous despatches have made your Lordship fully acquainted with the proceedings of the nine financial establishments here which have been taking measures with a view to negotiating directly with the Porte on the part of the holders of Ottoman securities.

Your Lordship has also learnt from my despatch No. 1157, Confidential, of the 16th ultimo that M. Barthélemy St. Hilaire looks with favour upon these proceedings.

M. Charles Mallet, who is President of the Direction at Paris of the Imperial Ottoman Bank (one of the establishments in question), came to me this morning and gave me an account of an interview he had had very recently with M. Barthélemy St. Hilaire.

He had, he said, explained to M. Barthélemy St. Hilaire the views of the Ottoman Bank and of the other establishments, and had mentioned an idea which had occurred to him of dispatching M. Valfrey, formerly a Sub-Director in the French Foreign Office, to Constantinople, not, in the first instance, as a formal delegate of the bondholders, but simply as an able man, in whom the bondholders had confidence, to study the questions on the spot, and communicate unofficially with the Porte.

M. Mallet told me that one of the considerations which had suggested this idea to him was the difficulty there would be in arranging the formal election of a delegate at this moment by the very large number (some thousands, I think, he said) of holders of Turkish stock who had deposited their bonds at the Ottoman Bank and the other establishments concerned. His notion had, he said, been that M. Valfrey, having in the way he proposed become specially acquainted with the affairs in question, would be naturally brought forward afterwards for election as official delegate.

M. Mallet went on to say that M. Barthélemy St. Hilaire had expressed his entire approval of the proceedings of the nine establishments, and had encouraged them to resort to every means of publicity, and to be active in collecting the names of the French bondholders and classifying them, in short, in bringing together the

elements of an authoritative constituency by which regular delegates to negotiate with the Porte might be eventually appointed.

M. Barthélemy St. Hilaire had, however, dissented from the idea of sending M. Valfrey on a preliminary and informal mission. He had made no objection to M. Valfrey personally, and indeed had said that the choice was a good one, as, although M. Valfrey had resigned (in consequence of the March Decrees concerning religious congregations) his place in the Foreign Office, he had kept up his intercourse with that Office, and would no doubt act in harmony with the views of the French Government.

But it had appeared to M. Barthélemy St. Hilaire that the appearance of an unofficial agent of the kind would have a bad effect at the Porte; that the Turkish Ministers would suspect that it might be a cover for a negotiation not absolutely confined to themselves and the bondholders; and that at all events they would avoid showing their hand, as it were, before the regular negotiations were begun.

M. Mallet said that, in deference to the objections of M. Barthélemy St. Hilaire, he had abandoned the idea (which had been almost entirely his own) of sending at present any preliminary mission such as that which he had thought of confiding to M. Valfrey.

He had indeed, he told me, assured M. Barthélemy St. Hilaire throughout that it was the determination of the Ottoman Bank, and of the establishments which were acting with it, to be guided by the wishes of the Governments of the Six Powers, and of course in a more especial manner by the wishes of their own Government.

M. Mallet said that important financial establishments at Vienna and Rome were prepared to take the same steps with regard to the Austrian and Italian bondholders as had been taken at Paris with regard to the French holders.

As regarded Germany, M. de Radowitz, and, on his return to the Embassy, Prince Hohenlohe, had expressed concurrence in the course taken at Paris, and had particularly insisted upon Germany having at least one of the delegates to the Porte. M. Barthélemy St. Hilaire had advised a compliance with this requirement of the German Embassy.

With respect to London, M. Mallet said that he had been in communication with Mr. Bouverie and Mr. Gmedalla. The difficulty of settling matters in England always arose, he affirmed, from the pretensions of the holders of what were called the privileged loans; but as the amount of these loans was not very large, this difficulty might, he thought, be got over.

He assured me that nothing could be further from the intention of the establishments with which he was connected than to act in opposition to the views of the Powers. In the case, which he feared was far from probable, of the bondholders being able to effect a satisfactory arrangement with the Porte by direct negotiation, the Powers would probably be glad to sanction it; but it was essential that in every step the bondholders should proceed with the approval of their Governments.

M. Mallet said, in conclusion, that it was in consequence of a particular request from M. Barthélemy St. Hilaire that he had come to give me the above account of the conversation he had had with his Excellency.

I have, &c.
(Signed) LYONS.

No. 80.

Lord Lyons to Earl Granville.—(Received January 5.)

E
(No. 7. Very Confidential.)
My Lord, *Paris, January 4, 1881.*

M. CHARLES MALLET told me this morning that the conversation with M. Barthélemy St. Hilaire of which a report is made in my immediately preceding despatch had been occasioned by a conversation which he had had a short time before on the same subject with Baron de Courcel, the Director of the Political Department of the French Foreign Office.

On his expressing a hope that the endeavours of the nine financial establishments to pave the way for negotiations with the Porte on behalf of the Ottoman bondholders, would be countenanced by the Government, Baron de Courcel had, he said, begged him to remember that the French Government was bound to support another plan, that of M. de Tocqueville.

M. Mallet had, he told me, replied that M. de Tocqueville's scheme had completely collapsed long ago, indeed that it had been still-born, and that he could not conceive that the French Government could be desirous of supporting a scheme of so doubtful a character.

Baron de Courcel had, however, maintained that, in consequence of despatches from M. Fournier, the French Government had, in fact, pledged itself to M. de Tocqueville's scheme.

M. Mallet proceeded to tell me that on the other hand M. Barthélemy St. Hilaire had emphatically denied that the French Government was in the least degree pledged to M. de Tocqueville's plan, and had declared positively that he had no intention whatever of giving any support to that plan.

I am entirely at a loss to account for the language used by Baron de Courcel, which appears to me to be wholly at variance with that held by M. Waddington when the Tocqueville scheme was before the public.

I have marked this despatch as specially Confidential, because I think that on general grounds it would be unadvisable that anything should transpire which might weaken Baron de Courcel's position in the French Foreign Office.

I have, &c.
(Signed) LYONS.

No. 81.

The Law Officers of the Crown and Dr. Deane to Earl Granville.—(*Received January* 6.)

My Lord, *Temple, January* 6, 1881.

WE were honoured with your Lordship's commands signified in Sir Julian Pauncefote's letter of the 2nd December last, stating that he had to submit to us, by direction of your Lordship, the following questions for our consideration and advice:—

That in 1855 a loan of 5,000,000*l.* was raised by Turkey under the guarantees agreed to by Great Britain and France, and recorded in a Convention with the Porte, dated the 27th June, 1855. On the same day a Declaration was signed by Great Britain and France relative to the mode in which their liability under the above guarantee, in case of default by the Porte, should be met. (Hertslet's "Map of Europe by Treaty," vol. ii, pp. 1235–1237.) Copies of the Convention and Declaration were annexed.

That by the Convention the interest on the loan, which was fixed at 4 per cent. per annum, was guaranteed by Great Britain and France jointly, and the Porte agreed to pay the further rate of 1 per cent. per annum by way of sinking fund.

That the interest and sinking fund were made a charge "on the whole revenues of the Ottoman Empire," and especially on the balance of the Egyptian tribute unappropriated to the previous Loan of 1854, and moreover on the customs of Smyrna and Syria.

That finally the Porte agreed to remit to the Bank of England, at stated half-yearly periods, the amounts payable in respect of that loan for interest and sinking fund, until the whole capital borrowed should be repaid.

That the financial situation as regarded that loan was as follows:—Turkey then owed on account of interest about 105,000*l.*, which sum had been wholly paid by England, France being liable to repay to her one moiety.

That the capital of the loan then stood at 3,815,000*l.*, the stipulated interest on which (4 per cent.) amounted to 152,600*l.* per annum. Towards the payment of that sum the balance of the Egyptian tribute, amounting to 72,000*l.* per annum, was paid to the Bank of England, leaving in addition to the then arrears 80,600*l.* per annum to be provided in future by England and France in case of default by the Porte. That the Porte had ceased to pay anything towards the sinking fund since 1876.

That in view of the risk which was apprehended of further defalcations by the Porte, the question had arisen whether, having regard to the terms of Article III of the Convention, whereby it was declared that the interest and sinking fund of the said loan "shall form a charge on the whole revenues of the Ottoman Empire," Her Majesty's Government would not be justified in retaining the surplus revenue of the Island of Cyprus, payable by them to the Porte under the Convention and Annex of the 4th June, 1878, hereinafter mentioned, in satisfaction of the arrears of interest and of sinking fund then due or thereafter accruing due by the Porte.

That the terms on which Great Britain proposed to the Porte to occupy and administer the Island of Cyprus, and the objects of that proposal, were fully explained in the despatch of the Marquis of Salisbury to Sir Henry Layard of the 30th May, 1878 (Parliamentary Paper, "Turkey No. 36, 1878," p. 1).

That in that despatch the following passage occurred:—"Her Majesty's Government do not wish to ask the Sultan to alienate territory from his sovereignty, or to diminish the receipts which now pass into his Treasury. They will therefore propose that while the administration and occupation of the island shall be assigned to Her Majesty, the territory shall still continue to be part of the Ottoman Empire, and that the excess of the revenue over the expenditure, whatever it may be, shall be paid over annually by the British Government to the Treasury of the Sultan."

That the intention would therefore seem to have been that the revenues of Cyprus should be received by Great Britain in a fiduciary character.

That Sir Julian Pauncefote was then to refer us to the Convention of Defensive Alliance between Great Britain and Turkey of the 4th June, 1878, and to the Annex thereto of the same date (see Parliamentary Paper above cited, pp. 3–5), whereby the above proposal for the British occupation of Cyprus were carried out, and we would observe that by Article III. of the Annex it was provided that "England will pay to the Porte whatever is the present excess of revenue over expenditure in the island," such excess to be determined as therein mentioned.

That that excess or surplus revenue of Cyprus payable by Great Britain, and which amounted to 90,000*l.* per annum, had been pledged by the Porte as part of the security given by her to carry out certain financial arrangements recently concluded.

That Her Majesty's Government were disposed to make a proposal to the Porte in relation to the Loan of 1855, which had lately been under consideration, and which was likely to be advantageous to all parties; but before doing so they desired to be advised as to their strict legal rights.

That Sir Julian Pauncefote was therefore to request that we would take the facts stated in his letter, and the documents above referred to, into our consideration, and favour your Lordship with our opinion on the following questions:—

1. Were Her Majesty's Government entitled to treat the surplus revenue of Cyprus as part of the revenues of the Ottoman Empire, which were charged by Article III of the Convention of 1855 with the payment of interest on the loan and sinking fund?

2. If so, was there anything opposed to international right or equity (apart from considerations of political expediency) in the retention by Her Majesty's Government of so much of the surplus revenue of Cyprus as might be sufficient to satisfy the arrears due by the Porte in respect of interest and sinking fund, or either of them, by way of enforcement for the joint benefit of Great Britain and France of the charge created on the "whole revenues of the Ottoman Empire" by Article III of the Convention of 1855.

3. If Her Majesty's Government were not entitled to retain the surplus revenue by way of enforcement of the said charge, were they entitled to retain the same by way of mutual credit and set-off, for the benefit of Great Britain only, and to the extent of her share of liability under the Convention of 1855, or generally on account of any pecuniary obligations of the Porte towards Great Britain?

That Sir Julian Pauncefote was to inclose (together with the other papers) a case laid before our predecessors in 1878 by the Treasury, in relation to the Loan of 1855, and to refer us to the questions submitted to them at p. 8, some of which were not irrelevant to the points then under consideration.

That the Report of the Law Officers of the Crown on those questions would be found at p. 161 of the "Further Correspondence respecting Ottoman Loans, 1876-78," Part II (Confidential No. 3849).

In obedience to your Lordship's commands we have the honour to report—

1. That we are of opinion that Her Majesty's Government are entitled to treat the surplus revenues of Cyprus as part of the revenues of the Ottoman Empire which are charged by Article III of the Convention of 1855 with the payment of interest on the loan and sinking fund.

2. We desire to point out to your Lordship that under Article III of the Convention of 1855 the customs of Smyrna and Syria, as well as the surplus tribute of Egypt, are specially charged with the interest and sinking fund of the loan. And we would suggest (if it has not already been done) that before seeking to apply any part of the general revenues of the Ottoman Empire to the payment of the interest and sinking fund, the Porte should be specially called upon by Her Majesty's Government

to give them the benefit of the special security which they are entitled to by the Convention. Subject to this being done, and in the event of the demand not being complied with, we are of opinion that there is nothing opposed to international right or equity (apart from considerations of political expediency) in the retention by Her Majesty's Government of so much of the surplus revenue of Cyprus as may be sufficient to satisfy the arrears due by the Porte in respect of interest or sinking fund by way of enforcement, for the joint interest of Great Britain and France, of the charge created on the whole revenues of the Ottoman Empire by the Convention of 1855.

3. If Her Majesty's Government were not entitled to rely on the charge imposed on the surplus revenue of Turkey by the Convention, we think it would not be equitable or right to retain it by way of mutual credit or set-off, inasmuch as the special charge created upon it by the Porte, of which Her Majesty's Government have notice, gave a valid title to those to whom it was assigned, subject only to any pre-existing charge upon it.

We have, &c.
(Signed) HENRY JAMES.
FARRER HERSCHELL.
J. PARKER DEANE.

No. 82.

Mr. St. John to Earl Granville.—(Received January 12.)

(No. 17.)
My Lord, *Constantinople, January 7, 1881.*

IT was yesterday currently reported here that the Turkish Government were either negotiating for another loan with the Galata bankers on the security of the Customs revenue, or that the balance arising from the Six Indirect Contributions, and which should go to the bondholders, would be misappropriated for war purposes.

I made inquiries as to the truth of these rumours, and I am informed that the Turkish Government did call a meeting on the 4th instant of the bankers interested in the Convention of the 22nd November, 1879, to consult with them in order to find a way to pay the overdue coupons of the loan guaranteed by France and England. But the bankers are said to have objected to take the responsibility of prejudicing the interests of other bondholders; although, of course, the Government could take that responsibility, and the bankers could only yield under protest.

The Government, however, distinctly refused to take such a course; and I understand it was arranged that notice should be given through the Turkish Embassies in Paris and London that if in two months' time delegates of the bondholders did not present themselves, the Government would name delegates to deal with the funds now beginning to accumulate for bondholders.

I have, &c.
(Signed) F. R. ST. JOHN.

No. 83.

Mr. St. John to Earl Granville.—(Received January 14.)

(No. 14.)
My Lord, *Constantinople, January 5, 1881.*

THE Ottoman Government are being hardly pressed to meet the extra expenditure entailed by the military preparations, which are now actively prosecuted. This extra expenditure is calculated roughly to amount to £T. 200,000 a-month, and as few, if any of the contractors for war material, clothing, &c., will accept any order unless paid at once in cash, every effort is being made to meet these demands. The Government have sent orders to the provinces to refuse payment of any "havalés" on the provincial Treasuries, with the exception of those "havalés" which have been granted to persons who have contracts with the Ministry of War or Admiralty. Officers have been sent into the provinces to see that these orders are strictly attended to.

Notwithstanding these measures, the Government will find considerable difficulty in tiding over the next three months. But little money will be received by the Treasury during this period, and, as the credit of the Government is completely lost,

there seems little probability, as matters stand at present, of their being able to obtain any further loans from the Galata bankers.

In early spring the sheep tax will be paid in, and it is estimated that this will amount to about 1,250,000*l.* There is also a considerable amount of grain still remaining unsold in the Government stores in the provinces, on which money might possibly be raised.

The pressing question, however, is how to find the requisite funds for the next three months. The bankers here would not be unwilling, I am told, to lend money if some fresh terms were made with them with regard to the six Indirect Contributions; and it is said that a loan of 1,000,000*l.* might be obtained if the Government decided to place the Customs revenues under the supervision of the Department of the six Indirect Contributions.

I will endeavour to procure some details respecting the floating debt of the Government, and their general financial prospects, but it is extremely difficult to obtain really satisfactory data.

I have, &c.
(Signed) F. R. ST. JOHN.

No. 84.

Lord Tenterden to Sir R. Lingen.

(Confidential.)
Sir, *Foreign Office, January 15, 1881.*

I AM directed by Earl Granville to inclose, for the consideration of the Lords Commissioners of Her Majesty's Treasury, copy of a Report which has been received from the Law Officers of the Crown, in reply to a question which was referred to them as to the legality of retaining the surplus revenue of Cyprus in order to apply it to the payment of interest on the Guaranteed Loan of 1855.

In accordance with this opinion, Earl Granville proposes, with the concurrence of their Lordships, to instruct Her Majesty's Chargé d'Affaires at Constantinople to call upon the Porte to give Her Majesty's Government the benefit of the special hypothecation of the Customs of Smyrna and Syria, to which, in addition to the Egyptian Tribute, they are entitled under Article III of the Convention of 1855; and in the event of the Porte's non-compliance with this demand, to claim, on behalf of Her Majesty's Government, to retain, in accordance with their rights under the said Convention and as part of the general revenues of the Ottoman Empire also hypothecated to them under Article III, so much of the surplus revenue of Cyprus as may be sufficient to satisfy the arrears due by the Porte in respect of interest and sinking fund on the Loan of 1855, by way of enforcement of such hypothecation for the joint benefit of Great Britain and France. At the same time, his Lordship would propose to inform the Porte that its calculation of the said surplus revenue at 85,000*l.*, which was communicated to the Treasury in the letter from this Office of the 30th ultimo, is accepted by Her Majesty's Government as a fixed assessment for the future as well as for 1879.

With reference to the statement made to the Law Officers that Her Majesty's Government were disposed to make a proposal to the Porte in relation to the Loan of 1855, I am to request that you will move their Lordships to cause Earl Granville to be informed whether such proposal has been further considered.

I am, &c.
(Signed) TENTERDEN.

No. 85.

Sir R. Lingen to Lord Tenterden.—(Received January 16.)

THE Secretary to the Treasury presents his compliments to Lord Tenterden, and requests that Her Majesty's Ambassador in Paris may be instructed to press the French Government for a reply to the points raised in the letter from this Department to the Foreign Office, dated the 8th June last, relating to the Turkish Guaranteed Loan of 1855.

January 14, 1881.

No. 86.

Mr. St. John to Earl Granville.—(Received January 20.)

(No. 25. Confidential.)

My Lord, *Constantinople, January 10, 1881.*

IN continuation of my despatch to your Lordship No. of the 7th instant, I have the honour to forward herewith some remarks—drawn up at my request by Mr. Nicolson, who appears to me to have succeeded in collecting very interesting details—on the financial condition of the Ottoman Government at this moment.

As Mr. Nicolson justly observes, it is difficult to see how the extraordinary military expenses will be covered for the next three months if the contractors continue to refuse to supply goods except for ready money.

The treatment which these gentlemen have experienced at the hands of the Ottoman Government since the last war has taught them to use caution in their future money dealings with the Porte. It might be hoped that similar considerations of prudence would guide the latter in the pending Greek Frontier question were it not for what is called the war party, with Mahmoud Nedim at its head, which holds that as ruin will result even from mere preparations if continued, it is, from an economical point of view, better to accelerate the inevitable than to retard it.

As is well known, Said Pasha and General Tewfik Pasha, the recently-appointed Minister of Finance, are leaders in the party who would see every effort made consistently with the honour of the Empire to arrive at a peaceful settlement. I am informed, on very reliable authority, that the Sultan, who for a time inclined towards the former, is now wavering, and that there are hopes of soon inducing His Majesty to throw his weight into the balance in favour of the latter, or party of peace.

I have, &c.

(Signed) F. R. ST. JOHN.

Inclosure in No. 86.

Memorandum by Mr. Nicolson.

THE following are a few details I have been able to collect respecting the financial condition of the Ottoman Government.

The Budget of a normal financial year, when the army and navy are on a peace footing, can be estimated as follows:—

Expenditure.	£ T.
Army and Navy	5,000,000
Home Office	2,500,000
Palace	1,500,000
Civil Service (over and above what the Ministries themselves receive)	1,500,000
	10,500,000

Receipts.	
Customs (net)	1,500,000
Verghi and Military tax	2,050,000
Tithes	4,500,000
Sheep tax	1,500,000
Sundries	950,000
	10,500,000

The above receipts do not include the six Indirect Contributions or the Egyptian tribute.

The army estimates during past years have been as follows:—

	£ T.
1874–75	5,490,000
1875–76	4,312,000
1877–79. War time.	
1879–80	5,594,000

These estimates include artillery and marine. The navy expenditure in ordinary times is not large, and is met to a great extent by the revenues which are received from Tophané, port dues, &c. The army estimates are calculated for a force of 100,000 men of all arms, which it is hoped will be the normal strength on a peace footing. It

is calculated by military authorities that a Turkish soldier costs 35*l.* a-year, including his pay. The private rarely, if ever, receives any pay, and the officers, I am told, have not, as a rule, received any pay since July last.

The Palace is paid out of the Customs revenues, and it will be seen that the Civil List entirely absorbs this source of revenue. Of the £ T. 1,500,000 allocated to the Palace about £ T. 500,000 are devoted to the payment of pensions, but the remaining million is reserved for the sole use of the Sultan and his numerous household. I am confidentially informed that His Majesty has of late, since his Civil List has been paid in silver and not in caimé, remitted large sums to Europe for investment in Continental securities.

The tithes this year have not produced so much as had been anticipated, and it is said that this was owing to the attempt to collect them by Government officials. The Government will probably next year resort to the former system of farming them out.

Those financial authorities here, who are disposed to take a sanguine view of the situation, consider that, provided Turkey were not called upon for extra expenditure, provided that she could wipe out the numbers of unpaid "havalés" and not attempt to pay any arrears of salaries, her normal revenue would suffice for her normal expenditure. More than this they cannot say, and, although by ignoring completely past debts, the Government might manage just to struggle on, and meet the ordinary and necessary expenses of administration, any call for extra expenditure would disorganize the whole machinery. Moreover, it is extremely doubtful, having regard to the manner in which revenues in Turkey are collected and administered, whether, even under the above favourable conditions, the debit and credit accounts would in fact be found to balance each other.

The six Indirect Contributions and the Egyptian tribute have not been taken into account, as the revenues obtained from them do not find their way into the Imperial Treasury. No provision further is made for the foreign debts of Turkey.

I have endeavoured to obtain some information to the floating debt of the Empire, but the only reliable statistics that have been furnished me show that in 1879 the Ministry of Finance admitted a debt to the other Ministries of £ T. 13,500,000 besides "unregulated accounts." It would be no exaggeration at fixing the floating debt at that time at £ T. 17,000,000. It is considered that with the wastefulness of the current year the debt may have risen to £ T. 22,000,000.

The irregularity and carelessness of financial supervision have in some cases seriously affected the productiveness of the revenue. The example of the stamp tax may be cited as an instance. Owing to the indifference of the authorities, the public has ceased in many cases to consider the law regulating the collection of the tax as one to be seriously observed. The result has been that the revenue derived from this tax has fallen from over £ T. 160,000 to £ T. 80,000 within three years.

The administration of the Indirect Contributions has, after considerable difficulty, succeeded in passing through the Council of Ministers some regulations rendering the law for the collection of the tobacco tax more stringent. Many frauds are said to have been perpetrated under the old law.

With respect to the present financial position, it is considered probable that the Government will obtain a loan of some £ T. 200,000 from the Galata bankers, which will be advanced on the security of the grain remaining unsold in the Government stores. The bankers will, however, probably demand "havalés" to the amount of between £ T. 300,000 and £ T. 400,000, and the Government will grant, as has been done in former cases, these "havalés," but when the amount of the loan has been paid up, the Government will probably order no further payments to be made, under the promise of refunding the balance when a favourable opportunity offers. The bankers, though fully alive to the probable action of the Government, contract the loan on the chance of obtaining something over the money actually lent. At the worst they will still hold the unpaid "havalés."

This loan of £ T. 200,000 will not, however, meet the demands of the War Department, and it is difficult to see how the extraordinary expenditure for the next three months will be covered. The contractors will furnish nothing unless paid in ready money; and though there is a considerable amount of war material in store, there is a great difficulty experienced in supplying the troops with necessaries, such as food, and in equipping and fitting out men-of-war. If war were to break out these difficulties would, of course, be enormously increased. The Government, in this case, would doubtless lay hands on any revenue they could seize, regardless of former engagements. The money, however, they would thereby obtain would not be sufficient

to meet the expenses of a war. If resort were had to force loans, the response could not be satisfactory in the present exhausted condition of the country. It is expected that the Government would endeavour to raise a loan on the Customs revenue, if they could obtain the consent of the Palace to this measure. The Galata bankers are desirous of having this branch of revenue placed under the administration of the six Indirect Contributions, but the Ottoman Government are strongly opposed to submitting any further portion of their finances to European supervision. Any loan, however, contracted at present will so involve the finances as to render recovery almost hopeless. Financiers, therefore, look with great anxiety to the consequences which would ensue if a war were to break out, the extent and duration of which it would not be easy to foresee.

(Signed) A. NICOLSON.

Constantinople, January 10, 1881.

No. 87.

Earl Granville to Lord Lyons.

(No. 55.)

My Lord, *Foreign Office, January* 20, 1881.

WITH reference to your Excellency's despatch No. 553 of the 2nd July last, I have to state to you that the Lords of the Treasury have called my attention to the fact that the French Government do not appear to have replied to the communication which your Excellency made to them on the 2nd July of last year respecting the disposal of a sum of 33,011*l.* 2*s.* 5*d.*, which represents the amount of the repayment due to France for advances made in 1878 and 1879 in respect of dividends on the Ottoman Guaranteed Loan of 1855, and I have consequently to request that you will remind M. de St. Hilaire that Her Majesty's Government are still in ignorance of the wishes of the French Government in regard to this matter, and you will add that the Lords of the Treasury are anxious to learn with as little delay as possible which of the two courses suggested by them the French Government would prefer to adopt.

I am, &c.

(Signed) GRANVILLE.

No. 88.

Lord Tenterden to Sir R. Lingen.

Sir, *Foreign Office, January* 20, 1881.

IN reply to your letter of the 14th instant, I am directed by Earl Granville to request that you will state to the Lords of the Treasury that Her Majesty's Ambassador at Paris has been instructed to remind the French Government that no reply has been received from them to the proposals made to the French Minister for Foreign Affairs in July last respecting the disposal of a sum of 33,011*l.* 2*s.* 5*d.*, which represents the amount due to France for advances made in 1878 and 1879 in respect of dividends on the Ottoman Guaranteed Loan of 1855.

I am, &c.

(Signed) TENTERDEN.

No. 89.

Lord Lyons to Earl Granville.—(Received January 28.)

(No. 71.)

My Lord, *Paris, January* 27, 1881.

WITH reference to your Lordship's despatch No. 55, of the 20th instant, and to my despatch No. 61, of the following day, I have the honour to transmit to your Lordship a copy of a note from M. Barthélemy St. Hilaire on the subject of the account between the British and French Governments in connection with the Ottoman Guaranteed Loan of 1855.

It appears that the French Government prefer the second of the proposed modes of settlement, that is to say, that only the balance, amounting to 2,510*l.* 1*s.* 2*d.*, shall be paid to them.

I have, &c.

(Signed) LYONS.

Inclosure in No. 89.

M. Barthélemy St. Hilaire to Lord Lyons.

M. l'Ambassadeur, *Paris, le* 26 *Janvier*, 1881.

PAR une lettre du 2 Juillet, 1880, vous avez bien voulu informer mon prédécesseur, M. de Freycinet, qu'une somme de 73,804*l.*, ayant été mise par la Caisse de la Dette Egyptienne à la disposition de la Banque d'Angleterre pour le paiement des arrérages échus de l'Emprunt Ottoman Garanti de 1855, le Gouvernement Britannique se tenait en mesure de payer sur cette somme 33,011*l.* 2*s.* 5*d.* dus au Gouvernement Français en remboursement de ses avances pour les années 1878-1879. Toutefois, le Gouvernement Britannique ayant lui-même contre le Gouvernement Français une créance de 20,501*l.* 1*s.* 3*d.*, représentant la somme qu'il a avancée pour le semestre d'intérêt échu le 1er Février, 1880, vous demandiez à M. de Freycinet si le Gouvernement Français aimait mieux être remboursé des 33,011*l.* 2*s.* 5*d.*, qui existent pour lui à la Banque d'Angleterre, en réservant à un arrangement ultérieur le réglement de l'autre compte qu'il a avec le Gouvernement Anglais, ou s'il préférait joindre les deux comptes et toucher seulement la différence qui lui revient entre les deux, c'est-à-dire 2,510*l.* 1*s.* 2*d.*

Vous avez bien voulu me rappeler ces jours derniers cette question; j'ai l'honneur de vous faire savoir en conséquence que M. le Ministre des Finances, qui en a été saisi, préfère le second mode de recouvrement offert par le Gouvernement Britannique, et consistant à joindre les deux comptes, de sorte que le Trésor Français en touche seulement la différence, soit 2,510*l.* 1*s.* 2*d.*

Agréez, &c.

(Signé) B. ST. HILAIRE.

No. 90.

Lord Tenterden to Sir R. Lingen.

Sir, *Foreign Office, January* 31, 1881.

WITH reference to my letter of the 20th instant, I am directed by Earl Granville to transmit to you, to be laid before the Lords Commissioners of Her Majesty's Treasury, the accompanying copy of a despatch, as marked in the margin, on the subject of the account between the British and French Governments in connection with the Ottoman Guaranteed Loan of 1855.*

I am, &c.

(Signed) TENTERDEN.

No. 91.

Mr. Welby to Lord Tenterden.—(Received February 8.)

My Lord, *Treasury Chambers, February* 8, 1881.

WITH reference to your letter of the 31st ultimo, forwarding a copy of a letter with inclosures from Her Majesty's Ambassador in Paris, on the subject of the account between the British and French Governments in connection with the Ottoman Guaranteed Loan of 1855, I am directed by the Lords Commissioners of Her Majesty's Treasury to request that the Secretary of State will cause them to be informed of the manner in which the sum of 2,510*l.* 1*s.* 2*d.*, being the balance in June 1880 of the said account, should be transferred to the credit of the French Government as desired by them.

I have, &c.

(Signed) R. WELBY.

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* No. 89.

No. 92.

Earl Granville to Lord Lyons.

(No. 145.)

My Lord, *Foreign Office, February* 17, 1881.

WITH reference to your Excellency's despatch No. 74 of the 27th ultimo, I have, by desire of the Lords Commissioners of the Treasury, to request that you will ascertain from the French Government the manner in which they would like the sum of 2,510*l.* 1*s.* 2*d.* transferred to their credit, this being the amount which is due to them in settlement of the accounts in connection with the Ottoman Guaranteed Loan of 1855.

I am, &c.

(Signed) GRANVILLE.

No. 93.

Lord F. Cavendish to Lord Tenterden.—(Received February 16.)

My Lord, *Treasury Chambers, February* 16, 1881.

THE Lords Commissioners of Her Majesty's Treasury have had under consideration the correspondence which has passed between Her Majesty's Ambassador at Constantinople, Her Majesty's High Commissioner in Cyprus, and the Foreign Office, respecting the amount of surplus revenue payable to the Porte under the Annex to the Convention between Her Majesty and the Porte, dated the 4th June, 1878.

They have read, at the same time, your letter of the 15th January, covering a Report of the Law Officers of the Crown upon a proposal that Her Majesty's Government should retain that surplus revenue, in order to apply it towards payment of interest unprovided by the Porte upon the Imperial Ottoman Loan of 1855.

My Lords have also before them a statement showing the amount of that loan when first contracted, the amount extinguished by the sinking fund attached to it, the date of the last payment of sinking fund, and the amount of the loan still outstanding, the occasions on which the Porte has failed to provide the interest as it fell due, the amounts in default on each occasion, the dates at which they were made good by the Porte, and the amount at the present moment in default.

In the course of the correspondence several questions have arisen requiring an expression of opinion from the Treasury. My Lords proceed accordingly to lay their views before the Secretary of State, and they will add hereafter some remarks upon the situation in which the English and French Governments are placed by the failure of the Porte to provide, at the stipulated periods, interest and sinking fund on the Imperial Ottoman Loan of 1855.

The third condition of the Annex to the Convention of Defensive Alliance between Great Britain and Turkey, signed the 4th June, 1878, is as follows:—*

"It is understood between the two High Contracting Parties that England agrees to the following conditions relating to her occupation and administration of the Island of Cyprus:—

* * * * * *

"3. That England will pay to the Porte whatever is the present excess of revenue over expenditure in the island, this excess to be calculated upon and determined by the average of the last five years, stated to be 22,936 purses, to be duly verified hereafter, and to the exclusion of the produce of State and Crown lands let or sold during that period."

Her Majesty's Government have therefore to ascertain, in the manner indicated, the excess of revenue over expenditure in the island, and to adopt a method for making payment of such excess to the Porte.

My Lords gather from Major-General Biddulph's letter of the 24th June, 1879 (No. 43), to Lord Salisbury that there is no question outstanding as to the payment due for the year 1878-79. General Biddulph handed over to the Porte, in February 1879, a sum of 7,402,625 piastres, and no protest from the Porte in respect of that payment is before Her Majesty's Government.

The present controversy, therefore, affects only the year 1879-80. It appears that General Biddulph repaired to Constantinople in 1879 in order to fix, in concert with

* See Parliamentary Paper, 1878, C 2057, p. 5.

the Ministers of the Porte, the amount of the excess revenue for which the Government of Cyprus is annually to account to the Porte; that he left Constantinople after protracted discussion, without arriving at an agreement. Several points were, however, decided. General Biddulph states that "every one of the figures" (in his Table of Revenue and Expenditure) "was taken from Turkish sources, and admitted to be correct. It is the principle of admitting some of them at all that was contested."

If my Lords understand rightly the Appendix No. 2 which accompanies General Biddulph's letter, he states the items in dispute separately as "further demands" of the British Government, amounting to 1,375,821 piastres, and deducting them from an apparently admitted surplus of 12,497,772 piastres, fixes the excess of revenue due to the Porte under Article III of the Annex to the Convention of June 1878 at 11,121,951 piastres. It should be added that this sum is exclusive of the produce of the salt revenue, which is to be paid over to the Porte in kind. It is assumed in the Annex above quoted that the excess of revenue over expenditure was 22,936 purses, which, at 500 piastres to the purse, makes up a sum of 11,468,000 piastres.

This calculation includes the salt revenue, amounting on an average to 2,083,110 piastres. It is evident, therefore, that an excess revenue of 11,121,951 piastres, exclusive of the salt revenue, is very much in excess of the amount at which the Porte was content to estimate that excess at the time of the transfer of the island. The amount in dispute between the Porte and General Biddulph (1,375,821 piastres) may be stated at about 11,000*l.*

My Lords, after reading General Biddulph's letter, incline to the conclusion that the accounts of the Government of Cyprus, previous to the transfer, have been fairly and impartially examined, and that the claims put forward by General Biddulph are reasonable. They will assume, therefore, until better informed, that the annual payment to be made to the Porte under Article III of the Annex is 11,121,951 piastres, subject to a temporary deduction, as they gather from Appendix 2 attached to General Biddulph's letter, of 29,574 piastres on account of the forced loan of 1877.

Her Majesty's Government have, then, to consider the method in which the payment of this sum should be effected at Constantinople, assuming for the moment that it is to be paid at Constantinople, respecting which more will be said hereafter.

General Biddulph, in his letter of the 24th June, 1879, above mentioned, states that the direct taxes in Cyprus were always received in "metallique" or beshlik currency until the introduction of caimé (paper money) in 1876, since which time caimé has been taken at par. The indirect taxes were received partly in beshliks and partly in silver piastres, that is, the salt revenue (which need not be considered here) and the excise on wine and tobacco in beshliks (latterly in caimé), and the customs in silver. "The silver piastre was, however, of not much more value than the beshlik currency until the last two years, when the latter was depreciated. As caimé was always received at par, its depreciation had no effect on the figures which represent the fixed taxes, but in the tithes of 1877 it made a large difference, as the grain, being sold for caimé, fetched apparently a higher price than it really did. This was admitted, and the figures at which the tithes of 1877 are entered in the Table represent their value when converted into "metallique" currency.

General Biddulph thought that it would be advisable to pay for the future in gold (Turkish lire), and he was prepared to submit a scheme for fixing the amount in gold. On "a rough estimate" he calculated it at about £ T. 101,000, or about 93,000*l.* He added that "during the five years metallique piastres fluctuated between 102 and 124 to the Turkish pound." Their value at the time of writing was about 115.

On the 17th December, 1879, General Biddulph, reverting to this subject, proposed to Lord Salisbury to adopt, in paying the Porte, the gold value of metallique piastres at the date of the British occupation of Cyprus on the 7th July, 1878. This he stated on the authority of the Ottoman Bank to have been 110 to the Turkish pound, and he reckoned the payment on this calculation at £ T. 93,462. "The value of this sum," he added, "in pounds sterling depends on the exchange, and the manner in which it is conducted. At the Tariff obtaining in Cyprus, based on the Mint value of the gold, it would be 84,144*l.*, but as the pound sterling is always at a discount at Constantinople, he could probably not remit it at a less cost than 85,000*l.*, unless we could do so free of commission and exchange. It may perhaps be considered right that it should be left to the Porte to draw on Cyprus for the amount, as it had to do formerly for the surplus; in that case the cost to this (the Cyprus) Government would be only 84,144*l.*"

On the 22nd March, 1880, General Biddulph asked Lord Salisbury's permission to

make payment to the Porte of the excess revenue due for the year 1879-80, and for that purpose he proposed to take advantage of the heavy fall at Constantinople in the value of "metallique" piastres, and to adopt the rate of exchange which prevailed on the first day of the Turkish financial year, 13th March (1880). This rate was about 210 piastres to the Turkish pound, instead of 110, the rate which General Biddulph had thought fair the previous month of June. By adopting this rate of exchange he would discharge the obligation which in June he had valued at 84,000*l.* or 85,000*l.* by a payment of about 48,000*l.*

Lord Salisbury gave his permission, and General Biddulph instructed the Ottoman Bank to pay to the Porte the sum due, viz., 11,121,951 piastres, minus 29,574 piastres deducted on account of the forced loan of 1877, or a net sum of 11,092,377 piastres, converting the piastres into Turkish gold lire at the rate of exchange which prevailed on the 13th March.

The Porte not unreasonably objected to such a settlement of its debt, and a correspondence ensued between the Porte, the Ottoman Bank, the High Commissioner of Cyprus, and Her Majesty's Ambassador at Constantinople, which has, up to the present, led to no result.

In the course of this correspondence my Lords note that the Turkish Minister of Finance informed the Ottoman Bank (see their letter to Sir R. Biddulph of the 24th May, 1880) that the arrangement with Her Majesty's Government was made on the basis of the surplus revenue of five years preceding the British occupation of Cyprus, that it was stipulated that the said surplus should be paid in metallique, "metallique" being the currency of the island at that time, and that the Porte claimed the equivalent in gold, or in any other coin, of the amount stipulated, the rate of exchange according to the average price of metallique extending over the said period of five years.

The Ottoman Bank at the same time made a calculation for Sir R. Biddulph of the average value of metallique during those five years, viz.:—

March 13, 1873	103¼	
1874	105½	
1875	105¼–⅜	413
1876	106⅝	
1877	113¼	111

giving an average of about 107. My Lords, however, may observe that the foregoing Table is not an average apparently for the year, but only the price on the first day of the Turkish financial year.

My Lords observe further that Mr. Foster, the Director of the Ottoman Bank at Constantinople, in a letter to Sir R. Biddulph, dated the 1st July, 1880, reckons the average price of metallique for the five years ending March 1878 at 110, the price on the 13th July, 1878, the date of the occupation, at 120, and he suggests that perhaps the Porte would accept a price somewhat more favourable to Cyprus, viz., 125 or 130.

On the 7th December, 1880, the Foreign Office informed my Lords that the Turkish Minister of Finance had proposed to Her Majesty's Ambassador at Constantinople that the surplus revenue of Cyprus for the year 1879-80 should be applied to the payment of the interest due on the Guaranteed Loan; that the Minister calculated the sum available at 85,000*l.* on the basis of an offer he had made of 120 piastres to the pound.

On the 29th December the Foreign Office forwarded a further telegram on the subject of the above offer to the effect that it only referred to the year 1879-80, and that it was only for that year that the amount overdue to the Guaranteeing Powers on the Loan of 1855 would be paid out of the Cyprus surplus, that surplus for the current year (1880-81) being already pledged to the Galata bankers.

My Lords believe that the foregoing précis of correspondence collects fairly the different opinions which have been given as to the method in which, and as to the rate at which, the excess revenue of Cyprus should be paid to the Porte.

They would call the attention of the Secretary of State to the following points:—

1. The Annex to the Convention of June 1878 stipulates that the excess revenue of Cyprus is to be calculated upon and determined by the average of the (then) last five years.

2. Sir R. Biddulph, the official guardian of the interests of Cyprus, in his letter of the 24th June, 1879, assumes as the basis of his calculation that the revenue of Cyprus during the five years preceding the occupation was collected in "metallique," and the contention of the Turkish Minister of Finance is apparently the same.

3. Sir R. Biddulph estimated in June 1879 the payment to the Porte roughly at 91,000*l.*, and in December of the same year he formally proposed to Lord Salisbury, as the basis for calculating the said payment, that the rate of exchange prevailing at Constantinople on the day of the occupation of Cyprus, viz., 110 piastres to the Turkish pound, should be adopted, a rate which would involve a charge of 84,114*l.*

4. The Director of the Ottoman Bank of Constantinople considers that a rate of exchange of 125 or 130 would be favourable to the Cyprus Government. He calculates the average rate of exchange during the five years preceding the occupation at 110 piastres to the Turkish pound, and the rate of exchange on the day of occupation at 120 piastres.

5. The Ottoman Bank give the rate of exchange on the first day of each of the five financial years preceding the occupation, resulting in an average rate of about 107 piastres to the Turkish pound.

6. Lastly, the Turkish Minister of Finance proposes to accept for the year 1879-80 only a rate of exchange of 120 piastres to the Turkish pound.

There is therefore a very general agreement both as to the coin in which the Cyprus revenue was collected, and, within certain limits, as to the rate of exchange at which it was to be paid over to the Porte.

Sir R. Biddulph is indeed at issue with the other authorities, himself included, but my Lords cannot help thinking that the prospect of securing an unexpected margin applicable to beneficial expenditure in Cyprus induced him to make a proposal which was scarcely compatible with good faith, and to which Lord Salisbury seems to have assented without sufficient consideration.

My Lords, indeed, admit that the wording of the Annex is not clear, and that, construed literally, it does not put Sir Robert Biddulph's proposal of March 1880 out of Court, but it appears to them that there is no doubt as to the intention of the Annex, and they would be sorry to put a false interpretation upon it for their own benefit. The Porte, according to their view, transferred the island to Her Majesty on the condition that the Imperial Treasury at Constantinople should not be a loser by the transfer. It was to receive as much from Cyprus as it had received upon the average of the five years preceding the transfer. That receipt, measured in sterling, appears to have been something over 90,000*l.*, and can it be pleaded that the Convention is faithfully observed if advantage is taken of a fall in exchange caused by the depreciation of the currency at Constantinople in order to discharge an obligation of over 90,000*l.* by the tender of 48,000*l.*?

My Lords have no hesitation in stating their view. They hold that the average excess revenue during the five years preceding occupation should be ascertained, and should be paid over to the Porte at the average rate of exchange which prevailed during those five years. They think that the Imperial Ottoman Bank at Constantinople might be asked to state the average rate, and that the payments for 1880-81 and succeeding years should be governed by the rate so ascertained. They are glad to find themselves on this point in unison with the Secretary of State for the Colonies, who stated, in the letter of the 24th November last from the Colonial Office to the Foreign Office, that, "having regard to the terms of Article III. of the Annex to the Convention of the 4th June, 1878, he is disposed to think that it would be difficult to justify any rate of payment of the tribute more favourable to Cyprus than that indicated in the Article, viz., the average value of metallique piastres during the five years preceding the occupation of the island."

It may, however, be matter of doubt whether sufficient allowance has been made for the fact that during one year and a-half out of the five years taxes were paid, to a great extent, if not altogether, in caimé. Sir Robert Biddulph, in his letter to Lord Granville No. 251 of the 7th June, 1880, states: "The taxes up to the autumn of 1876 were, generally speaking, received in the metallique piastres, and after that date in caimé, which had been issued at the value of metaliques. The depreciation of caimé had a sensible effect on the number of piastres received in 1877 and 1878, for it is obvious that if the tax-payer could purchase 200 caimé or tax-paying piastres for 100 metallique piastres, he was enabled to pay up his taxes as well as his arrears with greater promptitude than he could otherwise have done; and there can be no doubt that from this cause the receipts of 1877 and 1878 were much swelled in the number of piastres received, although without a corresponding loss to the tax-payer."

If the Secretary of State should think it desirable, Sir Robert Biddulph might be asked if he would wish to make an abatement of the average receipts on the ground of a portion of the receipts in 1876 and 1877 having been in caimé. The point, however,

has not escaped him, for he alludes to the fact in his letter to the Secretary of State of the 24th June, 1879, and appears to have modified the Tithe Returns in consequence.

The Secretary of State will observe that their Lordships' recommendation as to the rate of exchange to be adopted applies only to the year 1880-81 and succeeding years. They think that the offer of the Turkish Minister of Finance to close the payment due for the year 1879-80 at the rate of 120 piastres to the Turkish pound should be accepted, and that Sir Robert Biddulph should be instructed to remit to the Ottoman Bank at Constantinople, to be held at the order of the British Ambassador, the amount required to make up, with that already deposited at that Bank, the total payment due to the Porte for 1879-80, at the rate of 120 piastres to the Turkish pound. The British Ambassador should be instructed to arrange for the immediate remittance of the whole amount to the Bank of England on account of the arrears due by the Turkish Government to the Governments of England and France for interest in default on the Guaranteed Loan of 1855.

In connection with this part of the subject, only one other point requires consideration. During the time that the Turks administered the island, the Porte necessarily bore the charge of remitting the surplus to Constantinople, and it appears, therefore, to my Lords that there is no obligation on the Government of Cyprus to pay the surplus free of charge into the Treasury at Constantinople, but that the Porte should draw for the amount at its own cost. It is, of course, understood that this rule would only be adopted when the amount and destination of the surplus had been agreed upon; and on the present occasion, when the Porte is voluntarily proposing a favourable rate of exchange on which to calculate the surplus, it would probably be desirable to follow previous practice, and pay the balance due at Constantinople.

So far, my Lords have simply discussed the mode of calculating and remitting the Cyprus surplus to Constantinople. They now turn to the larger question, which has formed the subject of much correspondence, and upon which the late Board of Treasury were at issue with Lord Salisbury. They mean the claim of Her Majesty's Government to retain the Cyprus surplus in order to make good interest on the Turkish Guaranteed Loan of 1855 which the Porte has failed to provide.

For the last three years the Porte has, with two exceptions, failed to provide the interest on that loan when it fell due. The charge may be stated at between 153,000*l.* and 154,000*l.* a-year, a part of which—72,000*l.*—is met out of the Egyptian tribute paid direct into the Bank of England. It is the duty of the Porte to provide the balance of something over 80,000*l.* The amounts in arrear have been recovered, after much correspondence, up to the beginning of 1880, and a large part of the sum now in arrear will be made good if the Cyprus tribute for 1879-80 be, as offered by the Turkish Minister of Finance, paid over to Her Majesty's Government in liquidation of past arrears.

But it is evident that present arrangements are most defective, and that it would be for the advantage of Turkey as well as of the Guaranteeing Governments if the Cyprus tribute were regularly paid over in discharge of the liability arising under the Loan of 1855. Lord Salisbury, indeed, himself at one time admitted as much, for in his letter of the 23rd December, 1879, to Sir H. Layard, he remarks that any debt owing by the Porte to Her Majesty's Government must of necessity stand as a first charge against the surplus of Cyprus revenue due to the Sultan.

My Lords need not do more than refer to their letters of the 30th January, 12th August, and 27th August, 1880, upon this subject in explanation of their views, and they may pass on to your letter of the 15th January and express their satisfaction at learning that the Secretary of State has taken the opinion of the Law Officers of the Crown upon the legality of retaining the surplus revenue of Cyprus in order to apply it to the payment of interest on the Guaranteed Loan of 1855.

My Lords concur with Lord Granville in his proposal to act upon the opinion which the Law Officers have given, and to call upon the Porte to give Her Majesty's Government the benefit of the special hypothecation of the customs of Smyrna and Syria to which they are entitled under Article III of the Convention of 1855.

Lord Granville will doubtless have considered whether it would not be advisable to inform the French Government and obtain its concurrence.

It might not be necessary at present to communicate to that Government the ulterior claim which Lord Granville proposes to put forward in the event of the Porte refusing to comply with his demand.

My Lords ask the question because they believe it has been usual to act in concert with France upon questions affecting the loan which the two Governments have

guaranteed, but the Secretary of State is of course the best judge as to the mode of proceeding which it may be best to adopt.

At the conclusion of your letter of the 15th January you ask whether my Lords have further considered the subject of making a proposal to the Porte for a more satisfactory settlement of the Guaranteed Loan of 1855.

In reply, I am to say that my Lords have the subject under consideration, and will address to you a further letter upon the subject.

I have, &c.
(Signed) F. CAVENDISH.

No. 94.

Mr. St. John to Earl Granville.—(Received February 18.)

(No. 111.)
My Lord, *Constantinople, February 11, 1881.*

I HAVE the honour to inclose herewith, in translation, the regulations of a forced loan of £ T. 3,000,000 decreed by the Sultan and intended to meet the expense of the War Department.

Of this sum £ T. 2,250,000 exactly corresponds with the revenue from taxes on real property as estimated in the last financial Budget, and will be levied on all in the proportion in which they contribute to that revenue, so that in fact the loan amounts to a doubling of the taxes on real property for one half of which, namely, £ T. 2,250,000, the Government will give bonds of 300 piastres, and 150 piastres each, of which will have twelve "coupures," like through railway tickets, each "coupure" to represent half a-year's interest and amortization.

These "coupures" as they fall due the Turkish Government promises to accept as ready cash in all Government establishments, including custom-houses.

It is now also enacted that the bonds of a former loan may be exchanged against the new bonds at the rate of 400 piastres old against 100 piastres new, so that the Government will with the remaining £ T. 750,000 of the new loan withdraw the old forced loan of £ T. 3,000,000, the papers of which had become fairly discredited if not forgotten.

These operations may be described as in fact an issue of paper money to the amount of £ T. 3,000,000, of which £ T. 2,250,000 will be represented by the amount of increased taxation on real property, and £ T. 750,000 by the withdrawal of the old £ T. 3,000,000 loan at the rate of £ T. 1 to each £ T. 4.

The "taxe personnelle" or poll tax now for the first time levied in Constantinople and its suburbs, is expected to yield from £ T. 100,000 to £ T. 200,000.

I have, &c.
(Signed) F. R. ST. JOHN.

Inclosure in No. 94.

Règlement d'un Emprunt intérieur décrété par la Sublime Porte et sanctionné par Iradé Impérial, à l'effet de faire face aux Dépenses militaires extraordinaires.

ARTICLE 1er. Un emprunt intérieur est décrété, destiné exclusivement aux dépenses extraordinaires.

Art. 2. La répartition de cet emprunt sur les contribuables sera proportionnée à l'impôt foncier payé annuellement par chaque contribuable pour ses immeubles et les immeubles de rapport. Sont exemptés de cet emprunt les soldats de l'armée régulière, les réfifs actuellement sous les drapeaux, les officiers de l'armée régulière jusqu'au grade d'Adjudant-Major, et les officiers de la réserve (réfifs) jusqu'au même grade qui sont en service actif.

Art. 3. L'emprunt rapportera un intérêt annuel de 10 pour cent, et jouira d'un amortissement annuel d'un sixième du capital.

Art. 4. Le total de l'emprunt est fixé à 300,000,000 de piastres, à raison de 100 piastres la livre Turque. Il sera représenté par des titres émis par le Gouvernement Impérial. Ces titres seront au nombre 1,500,000, dont la moitié à 150 piastres et l'autre moitié à 300 piastres chacun.

Art. 5. Les titres pour 225,000,000 de piastres seront délivrés en représentation de la somme qui sera perçue extraordinairement au prorata de l'impôt foncier annuel payé

par les propriétés immobilières et le restant des titres, soit 75,000,000 de piastres, sera échangé contre les titres de l'emprunt forcé émis précédemment. Ces derniers titres seront reçus à raison de 400 piastres la livre Turque.

Art. 6. Les sommes pour lesquelles les contribuables participeront et qui seront égales à celles que chacun paye annuellement à titre d'impôt foncier, en conformité de l'inscription sur les registres, seront perçues par des receveurs du Gouvernement, à partir du $\frac{1}{13}$ Mars, 1297, jusqu'à la fin du mois de Mai. Les titres seront remis aux ayants droit au fur et à mesure des recouvrements.

Art. 7. Les versements de cet emprunt seront effectués à raison de la livre Turque à 100 piastres ou en d'autres monnaies équivalentes.

Art. 8. L'emprunt, dont l'intérêt de 10 pour cent courra à partir du $\frac{1}{13}$ Mars, 1297, sera amorti entièrement en six années, ainsi qu'il est indiqué dans le Tableau ci-annexé. Les titres qui seront délivrés porteront chacun douze coupons. Chaque année il en sera détaché deux pour les intérêts et l'amortissement à l'échéance de fin Août et Février (v. s.). Les intérêts du premier semestre ne seront pas payés. Les autres coupons, à leur échéance, seront reçus, sans exception, comme argent comptant, par toutes les Caisses du Gouvernement et par les Douanes, en paiement des revenus des années auxquelles ils se rapportent.

Article final. Les titres émis pourront être aussi vendus sur place à leur valeur nominale.

Règlement définissant le Mode de Répartition et de Perception de la Taxe Personnelle (Verghi-i-Chahsi), établi pour une seule fois et pour faire face exclusivement aux Dépenses extraordinaires militaires sur les Habitants de la Capitale et de la Banlieue, en vertu d'une Décision du Conseil d'Etat et du Conseil des Ministres sanctionnée par Iradé Impérial.

Chapitre Ier.—*De la Division des Contribuables et des degrés de la Taxe.*

Article 1er. Conformément au présent Règlement, une taxe personnelle destinée exclusivement aux dépenses extraordinaires militaires, sera perçue sur les habitants de la capitale et de la banlieue.

Art. 2. Payeront la taxe personnelle: (1) tous les fonctionnaires et employés de tout rang, de la capitale et de la banlieue en activité de service ou en retraite; (2) les habitants aisés et ceux que la loi considère comme commerçants; (3) les industriels et les artisans; (4) les ouvriers et les serviteurs recevant un salaire.

Art. 3. Excepté les soldats de l'armée de terre et de mer, les gendarmes et les officiers jusqu'au grade de Colonel inclusivement, tous les Muchirs, les Généraux de Division, et les Généraux de Brigade résidant à Constantinople acquitteront la taxe personnelle. Les militaires en retraite qui sont invalides et les officiers en retraite jusqu'au grade de Major inclusivement, en sont exemptés.

Art. 4. La taxe personnelle n'atteint que la population mâle. Les personnes au-dessous de 20 ans en sont exemptées.

Art. 5. La taxe personnelle est fixée: pour les fonctionnaires, employés et pensionnaires du Gouvernement, à une somme égale à la dixième partie de leurs appointements; pour les commerçants et les personnes aisées, à cinq médjidiés d'argent; pour les habitants appartenant à une corporation, à trois médjidiés; pour les ouvriers et serviteurs, à un médjidié d'argent.

Chapitre II.—*Du Mode de Perception.*

Art. 6. La taxe personnelle ne peut être compensée, à titre d'acompte, par une réclamation quelconque d'argent antérieure. Elle sera recouvrée entièrement dans deux mois, en médjidiés d'argent, à raison de 19 piastres l'un. Ce terme de deux mois court à partir de dix jours après la publication de ce Règlement.

Art. 7. Les fonctionnaires sont divisés en trois catégories: la première comprend, depuis les Ministres, tous les fonctionnaires qui jouissent d'un appointement mensuel jusqu'à 3,000 piastres; la seconde, ceux qui ont un appointement jusqu'à 1,200 piastres; la troisième, ceux qui jouissent d'un appointement inférieur à ce chiffre. Les officiers de l'armée en activité de service et les officiers de police atteints par cette taxe, et les pensionnaires du Gouvernement sont également divisés dans la même proportion en trois catégories.

Art. 8. Les négociants et les personnes aisées appartiennent à la première

catégorie; ceux qui exercent une industrie, un art, ou un commerce quelconque comme membres d'une corporation, dans un endroit fixe, tel qu'une fabrique, un magasin, ou une boutique, appartiennent à la seconde catégorie; ceux qui exercent un commerce ambulant, sans résidence fixe, tels que les bateliers, les cochers, les portefaix, les journaliers, et les domestiques, appartiennent à la troisième catégorie.

Art. 9. Les fonctionnaires, les négociants, et les personnes aisées appartenant à la première catégorie sont tenus de payer la taxe personnelle en une seule fois et dix jours après la promulgation de ce Règlement, en conformité de l'Article 6. Les fonctionnaires et ceux qui font partie des corporations appartenant à la seconde catégorie devront payer en un mois, en deux versements; enfin les employés du Gouvernement, les marchands ambulants, les ouvriers, les serviteurs, et tous ceux qui appartiennent à la troisième catégorie acquitteront leur taxe dans deux mois, en quatre versements.

Art. 10. Les versements fixés d'après l'Article précédent seront d'un chiffre égal, c'est-à-dire, que la personne taxée d'un médjidié acquittera cette taxe en deux mois en payant tous les quinze jours un quart de médjidié.

Art. 11. La Direction de l'impôt confectionnera, pour la taxe personnelle, des bordereaux imprimés, à souche. Ces bordereaux seront de trois couleurs différentes, suivant la catégorie des imposés. Les bordereaux relatifs aux taxes payées par versements partiels contiendront l'indication des versements et les époques de paiement.

Art. 12. La taxe sera perçue au nom du Trésor de l'Empire, pour les fonctionnaires et les employés, par les chefs supérieurs du Département dont ils relèvent; celle relative aux négociants, personnes aisées, aux pensionnaires de l'Etat, et à tous ceux appartenant aux autres catégories, par les préposés des diverses circonscriptions de l'impôt foncier de la capitale.

Art. 13. Chaque Département est tenu de dresser immédiatement un registre de la taxe à percevoir, sur son personnel, suivant la division en trois catégories indiquée à l'Article 7. Il demandera, en conséquence, les bordereaux nécessaires à la Direction de l'impôt. Cette Direction enverra à chaque Département les bordereaux demandés en débitant le Département respectif.

Les Départements feront verser directement et tous les jours au Ministère de la Guerre les sommes encaissées quotidiennement, d'après les bordereaux qui seront livrés aux imposés. Les souches et les reçus du Ministère de la Guerre seront retournés à la Direction de l'impôt.

Art. 14. Chaque Cercle Municipal dressera une liste nominative des négociants, des "esnafs" (membres de corporations), des ouvriers et domestiques existant dans la circonscription du Cercle. Ces listes, qui devront être visées par les "Kehaya" et les Conseils des corporations, seront préparées dans les dix jours de la promulgation du Règlement et seront remises aux préposés à la perception. Ces listes serviront de base à la perception de la taxe.

Art. 15. D'autres listes indiquant les personnes aisées qui vivent de revenus provenant de leurs immeubles, séhims ou mukatas, seront dressées par chaque Cercle Municipal. Ces listes seront certifiées et revêtues des cachets des Imams, Mukhtars, et trois Notables des quartiers. La taxe des personnes aisées sera perçue d'après ces listes.

Art. 16. Chaque Département dressera une liste indiquant les pensionnaires qui en relèvent, le chiffre des pensions dont ils jouissent, et leur domicile. Ces listes seront envoyées à la Préfecture de la ville, qui en donnera communication aux divers Cercles Municipaux.

Art. 17. La Préfecture de la ville dressera des listes des marchands ambulants et autres qui exercent, d'après les teskérés délivrés par la Préfecture et lesquels n'ont pas de résidence fixe. La taxe de ces personnes sera perçue par l'entremise de la Direction centrale de l'impôt foncier.

Art. 18. La Direction de l'impôt foncier délivrera aux percepteurs les bordereaux nécessaires selon les listes qui seront dressées tant par la Préfecture de la ville que par les Cercles Municipaux, en conformité des Articles précédents. Les encaissements quotidiens seront versés directement et chaque jour au Ministère de la Guerre. Le bordereau de perception sera délivré à la personne qui aura acquitté sa taxe, et la souche sera retournée à la Direction de l'impôt.

Art. 19. La Préfecture de la ville et les Directions des Cercles Municipaux accorderont toute assistance aux préposés dans la perception de la taxe personnelle.

Art. 20. Ceux qui sont tenus d'acquitter leur taxe en divers versements, ont la faculté de la payer en une seule fois. Il est interdit d'employer des moyens de contrainte pour la rentrée de tous les versements à la fois avant leur échéance.

Art. 21. Quiconque aura soustrait à la taxe des personnes atteintes par cette taxe sera passible des peines édictées par la loi.

Art. 22. Envers ceux qui ne voudront pas acquitter la taxe personnelle, il sera procédé à leur égard, en conformité du Règlement sur l'impôt foncier.

Art. 23. Lorsque la perception sera totalement terminée, un Tableau sera publié indiquant l'emploi des sommes perçues.

Art. 24. Le Ministère des Finances est chargé de l'exécution du présent Règlement.

Fait le 20 Janvier, 1881 (v.s.).

No. 95.

Earl Granville to Musurus Pasha.

M. l'Ambassadeur, *Foreign Office, February* 19, 1881.

WITH reference to my letter to Musurus Bey of the 18th August last, I regret to have to state that I learn from the Lords Commissioners of Her Majesty's Treasury that the Turkish Government has again failed to make sufficient provision for the dividend on the Imperial Ottoman Guaranteed Loan of 1855, which became due this month.

Directions have therefore been given for the issue of 40,304*l.* out of the Consolidated Fund in discharge of the liability of the British and French Governments in respect to that loan.

I have the honour to request that your Excellency will be good enough to bring the above to the notice of the Porte, and to inform me in due time of the steps which it proposes to take for the repayment of the sum advanced.

I have, &c.
(Signed) GRANVILLE.

No. 96.

Lord Tenterden to Lord F. Cavendish.

My Lord, *Foreign Office, February* 21, 1881.

I HAVE laid before Earl Granville your letter of the 16th instant, giving the views of the Lords of the Treasury as to the amount of the surplus revenue of Cyprus due to the Turkish Government under the Convention of the 4th June, 1878, and as to the question of the application of the surplus to the payment of the interest on the 1855 Guaranteed Loan which the Porte fails to provide.

I am directed by his Lordship to request you to convey to the Lords of the Treasury his thanks for the valuable summary of the case contained in your letter, and I am to inclose, for their information, copies of despatches to Her Majesty's Ambassadors in Paris and Constantinople, and of a letter to the Colonial Office,* from which their Lordships will see that Lord Granville concurs in their views, and is taking the necessary steps to carry them into effect.

I am, &c.
(Signed) TENTERDEN.

No. 97.

Lord Tenterden to Mr. Herbert.

Sir, *Foreign Office, February* 21, 1881.

EARL GRANVILLE has had under his consideration the letter from the Treasury of the 16th instant, of which a copy has been transmitted to you, respecting the amount of surplus revenue payable to the Porte under the Annex to the Convention of the 4th June, 1878, and I am directed by his Lordship to state to you, for the information of the Earl of Kimberley, that he concurs with the Board of Treasury that the payment for 1880-81 and succeeding years should be made at the average rate of

* No. 97.

exchange which prevailed during the five years preceding the British occupation of Cyprus, and that the offer of the Turkish Minister of Finance to close the payment for the year 1879-80 at the rate of 120 piastres to the Turkish pound should be accepted.

If Lord Kimberley agrees in this view, and instructs Sir R. Biddulph to remit to the Ottoman Bank at Constantinople, to be held at the order of Her Majesty's Ambassador, the amount required to make up, with that already deposited there, the total payment for 1879-80 at the rate of 120 piastres to the Turkish pound, Lord Granville will instruct Mr. Goschen to arrange for the immediate remittance of the whole amount to the Bank of England on account of the arrears due by the Turkish Government to the Governments of England and France for interest in default of the Guaranteed Loan of 1855.

I am to add that Lord Granville would be glad to receive a reply at Lord Kimberley's early convenience.

I am, &c.
(Signed) TENTERDEN.

No. 98.

Lord Lyons to Earl Granville.—(Received February 25.)

(No. 196.) *Paris, February* 24, 1881.

My Lord,

WITH reference to your Lordship's despatch No. 145 of the 11th instant, and to my despatch No. 148 of the 14th instant, I have the honour to inclose herewith a copy of a note which I have received from the French Minister for Foreign Affairs, stating the manner in which the French Government would like the sum of 2,510*l.* 1*s.* 2*d.* to be transferred to their credit, this being the amount which is due to them in settlement of the accounts in connection with the Ottoman Guaranteed Loan of 1855.

I have, &c.
(Signed) LYONS.

Inclosure in No. 98.

M. Barthélemy St. Hilaire to Lord Lyons.

Paris, le 23 *Février*, 1881.

M. l'Ambassadeur,

VOUS m'avez fait l'honneur de me demander par une lettre du 14 Février courant de quelle manière le Gouvernement Français désirait être remboursé de la somme de 2,510*l.* 1*s.* 2*d.*, qui se trouve à son crédit à la Banque de Londres, dans le compte spécial au Règlement de l'emprunt Ottoman garanti de 1855. J'en ai immédiatement référé à mon collègue le Ministre des Finances, qui me prie de vous informer que M. de Tarade, Délégué du Trésor Français à Londres (Agence Financière du Gouvernement Français, 4, Moorgate Street, E.C.), a reçu les instructions nécessaires pour toucher la somme dont il s'agit. Je vous serai obligé, en conséquence, de vouloir bien faire donner à la Banque d'Angleterre des instructions concordantes, afin que la somme de 2,510*l.* 1*s.* 2*d.* soit mise à la disposition de M. de Tarade.

(Signé) B. ST. HILAIRE.

No. 99.

Musurus Pasha to Earl Granville.—(Received February 25.)

My Lord, *Ambassade Impériale Ottomane, Londres, le* 24 *Février*, 1881.

J'AI l'honneur d'accuser réception de la note de votre Excellence du 19 de ce mois, par laquelle, en se référant à celle qu'elle avait adressée à Musurus Bey en date du 18 Août dernier, votre Excellence m'informe que le Gouvernement Impérial ayant manqué de pouvoir au payement des intérêts semestriels de l'Emprunt garanti de 1855, échus le 1er du mois courant, la Trésorerie Britannique a donné des ordres pour le payement, sur le Fond Consolidé, de la somme de 40,304*l.* afin de satisfaire aux

offets de la garantie des Gouvernements d'Angleterre et de France, et m'invite à porter ce fait à la connaissance de la Sublime Porte en vue du remboursement de la somme avancée.

Je me suis fait un devoir empressé de transmettre la note précitée de votre Excellence au Gouvernement Impérial, et je ne doute pas qu'il ne me mette bientôt à même de donner à votre Excellence une réponse satisfaisante à cette communication.

J'ai, &c.
(Signé) MUSURUS.

No. 100.

Lord F. Cavendish to Lord Tenterden.—(Received March 2.)

My Lord, *Treasury Chambers, February 28, 1881.*

I HAVE laid before the Lords Commissioners of Her Majesty's Treasury your Lordship's letter of the 21st instant and the inclosures thereto annexed, and I am directed to express the satisfaction of my Lords at learning the steps which the Secretary of State has taken in order to secure a satisfactory settlement of the difficulties attending the payment of the Cyprus surplus to the Porte, and the non-fulfilment by the Porte of its engagements in respect of the Guaranteed Loan of 1855.

I am, &c.
(Signed) F. CAVENDISH.

No. 101.

Lord Tenterden to Lord F. Cavendish.

My Lord, *Foreign Office, March 2, 1881.*

WITH reference to the inquiry contained in your letter of the 8th ultimo as to the manner in which the balance of 2,510*l.* 1*s.* 2*d.* due to the French Government on account of the Ottoman Guaranteed Loan of 1855 should be transferred to the credit of the French Government, I am directed by Earl Granville to request that you will state to the Lords Commissioners of Her Majesty's Treasury that the French Government beg that the Bank of England may be directed to place the sum in question at the disposal of M. de Faraide, Delegate of the French Treasury in London, who has received authority to deal with the money. That gentleman's address is Agence Financière du Gouvernement Français, 4, Moorgate Street, E.C.

I am, &c.
(Signed) TENTERDEN.

No. 102.

Mr. Herbert to Lord Tenterden.—(Received March 3.)

Sir, *Downing Street, March 3, 1881.*

I HAVE laid before the Earl of Kimberley your letter of the 21st February, respecting the payment due to the Porte from Cyprus revenues, and in reply I am to transmit to you, for the information of Earl Granville, the accompanying copy of a despatch which has been addressed to Her Majesty's High Commissioner in Cyprus, from which his Lordship will perceive that Lord Kimberley concurs in the views expressed in the letter from the Treasury to your Department of the 16th ultimo, both as regards the payment for 1879-80, and as regards their Lordship's opinion as to the manner in which future payments are to be converted into gold. The instruction which Lord Granville proposes to give to Mr. Goschen can therefore be issued.

I am, &c.
(Signed) ROBERT G. W. HERBERT.

Inclosure in No. 102.

The Earl of Kimberley to Sir R. Biddulph.

Sir, *Downing Street, March 1881.*

I HAVE the honour to inform you that Her Majesty's Government have had under their consideration the question of the rate of exchange at which the payment due from Cyprus revenues to the Porte shall be made, and I transmit to you herewith, for your information, a copy of a letter from the Treasury to the Foreign Office which will fully explain to you the views of Her Majesty's Government.

2. You will observe that Her Majesty's Government have agreed to the proposal of the Ottoman Government that the payment for 1879-80 should be liquidated at the rate of 120 metallique piastres to the £ T., and that the proceeds should be applied to the payment of the interest due to the English and French Governments on the Guaranteed Ottoman Loan of 1855, and I have consequently to instruct you to remit, as soon as possible, to the Ottoman Bank at Constantinople, to be held to the order of Her Majesty's Ambassador, the amount required to make up, with the sum already deposited at that Bank, the total payment due to the Porte for 1879-80 at the above-mentioned rate of exchange, viz., 120 metallique piastres to the £ T.

3. With regard to future payments, Her Majesty's Government have decided that the best mode of insuring that the payment shall fairly represent the profit which the Ottoman Government derived from Cyprus during the five years which serve as the basis on which the payment is calculated, will be to convert the payment as fixed by you during your mission to Constantinople into £ T., at the average of the rates of exchange which prevailed between the metallique piastre and the £ T. during the said five years, and I have to instruct you to ascertain from the Ottoman Bank and to report to me what that rate was by the day, or, if that cannot be conveniently ascertained, by the week or month, in Cyprus or at Constantinople, or in both places, in the event of there having been any difference in the relative values at the two places.

I shall be glad to receive any observations you may have to offer on the matter, both as to the plan of conversion and as to the value of the metallique piastre as determined by its average value in exchange.

4. Pending the definitive settlement of the amount of the payment in gold and of the further question of further applying the amount to the service of the Ottoman Loan of 1855, I have to instruct you to hold the payment which will shortly become due for the current financial year.

5. I have also to request you to inform me whether, in fixing the amount of the payment in metallique piastres, you made allowance for the fact that the taxes, after the autumn of 1876, were received generally in caimé, on which point the Lords Commissioners of the Treasury would seem to think there is room for doubt.

I am, &c.
(Signed) KIMBERLEY.

No. 103.

Earl Granville to Mr. Goschen.

(No. 147.)
Sir, *Foreign Office, March 3, 1881.*

HER Majesty's Government have had under their consideration the proposal of the Turkish Government conveyed in your Excellency's telegram of the 7th December last, to apply the surplus revenue of Cyprus for 1879-80 to the payment of the arrears of interest due on the Guaranteed Loan of 1855, calculating the sum available at 85,000*l.* on the basis of 120 piastres per £ T.

I have now to acquaint your Excellency that Her Majesty's Government accept this proposal, and that the High Commissioner of Cyprus will be instructed to remit to the Ottoman Bank at Constantinople, to be held at your order, the amount required to make up, with that already deposited there, the total payment due to the Porte for 1879-80, at the rate of 120 piastres to the £ T.

You will inform the Porte of this decision, and arrange for the remittance of the whole amount to the Bank of England immediately on its receipt, on account of the

arrears due by the Turkish Government to the Governments of England and France, for interest in default on the Guaranteed Loan of 1855.

I am, &c.
(Signed) GRANVILLE.

No. 104.

Earl Granville to Mr. Goschen.

(No. 148.)

Foreign Office, March 3, 1881.

Sir,

WITH reference to my despatch No. 147 of this day, relative to the application of the surplus revenue of Cyprus for 1879-80 to the payment of the arrears of interest due on the Guaranteed Loan of 1855, I have to point out to your Excellency that for the last three years the Porte has, with two exceptions, failed to provide the interest on that loan when it fell due. The annual charge of the loan may be stated at between 153,000*l.* and 154,000*l.*, of which 72,000*l.* is met out of the Egyptian tribute, leaving a balance of something over 80,000*l.* to be provided by the Porte.

The amounts in arrear have been recovered, after much correspondence, up to the beginning of 1880, and a large part of the sum due since that date will be made good by the payment to Her Majesty's Government of the Cyprus tribute for 1879-80; but it is evident that the present arrangements are most defective, and that it is incumbent on the Turkish Government to make such regular provision for the discharge of the interest as will relieve the English and French Governments from the expense and inconvenience to which they are now periodically exposed.

Under the IIIrd Article of the Convention of 1855, the customs of Smyrna and Syria, as well as the surplus tribute of Egypt, are specially charged with the interest and sinking fund of the loan, and I have to instruct your Excellency to call upon the Porte to give to Her Majesty's Government the benefit of the special security to which they are entitled by the Convention.

In the event of this demand not being complied with, it will be for Her Majesty's Government to consider what other arrangement can be made for securing the British Exchequer against loss by the default of the Turkish Government.

I am, &c.
(Signed) GRANVILLE.

No. 105.

Earl Granville to Lord Lyons.

(No. 224.)

Foreign Office, March 3, 1881.

My Lord,

HER Majesty's Government have had under their consideration the means of arriving at some arrangement by which the French and English Governments may be relieved from the loss and inconvenience to which they are periodically exposed by the default of the Turkish Government to provide the interest on the Guaranteed Loan of 1855.

The Porte, as your Excellency is aware, has for the last three years, with two exceptions, failed to provide the interest on the loan when it fell due, and it is still in arrear with the portion of the interest not covered by the Egyptian tribute since the beginning of 1880.

A proposal was recently made by the Turkish Minister of Finance to apply the surplus revenue of Cyprus due from Her Majesty's Government to the Turkish Government under the Convention of the 4th June, 1878, for the year 1878-80 to the service of the loan.

Some difficulty has arisen as to fixing the exact amount of the surplus, but Her Majesty's Government have now agreed on the suggestion of the Porte that it should be fixed for the year 1879-80 at 85,000*l.* The High Commissioner in Cyprus will be instructed to remit that amount to the Ottoman Bank at Constantinople, and Her Majesty's Ambassador will then make arrangements for paying it over to the Bank of England on account of the arrears due by the Turkish Government to the Governments of England and France for interest in default on the Guaranteed Loan.

This arrangement has, however, been proposed by the Turkish Government only as regards the surplus of 1879-80, and although it will cover a large amount of the existing deficiency, it is necessary to take steps to provide against the further defaults that may be anticipated.

Her Majesty's Government, acting under the advice of their legal advisers, have decided that the first step that should be taken is to call upon the Porte to give the Guaranteeing Governments the benefit of the special security to which they are entitled under Article III of the Convention of 1855, by which the customs of Smyrna, as well as the surplus tribute of Egypt, are specially charged with the interest and sinking fund of the loan.

I inclose the draft of a despatch which I propose to send to Mr. Goschen, instructing him to make this demand, and I have to request your Excellency to ask the French Minister for Foreign Affairs whether he will address a similar instruction to the French Ambassador at Constantinople.

I am, &c.
(Signed) GRANVILLE.

No. 106.

Earl Granville to Lord Lyons.

(No. 225. Confidential.)

Foreign Office, March 3, 1881.

Sir,

WITH reference to my despatch No. 24 of this day's date, I have to acquaint your Excellency that the object which Her Majesty's Government mainly have in view in calling upon the Porte to give effect to the provision of the Convention of 1855, by which the customs of Smyrna and Syria are specially charged with the interest and sinking fund of the Guaranteed Loan, is to put themselves in a position in which they would be entitled to treat the surplus revenue of Cyprus as part of the revenues of the Ottoman Empire which are charged under the Convention with the payment of interest on the loan and sinking fund.

In the event of the demand not being complied with, they are advised that they will be justified in retaining so much of the surplus revenue of Cyprus as may be sufficient to satisfy the arrears due by the Porte in respect of interest or sinking fund by way of enforcement for the joint interest of Great Britain and France of the charge created on the whole revenues of the Ottoman Empire by the Convention of 1855.

It is not desirable that any formal communication to the above effect should be made at present to the French Government, but your Excellency will be at liberty to mention confidentially to M. Barthélemy St. Hilaire the ultimate intention with which the claim on the customs of Smyrna and Syria is preferred in case you should think the French Government likely to misconstrue the proposal.

I am, &c.
(Signed) GRANVILLE.

No. 107.

Earl Granville to Musurus Pasha.

Foreign Office, March 10, 1881.

M. l'Ambassadeur,

I HAVE the honour to inform your Excellency that Her Majesty's Ambassador at Constantinople has been instructed to notify to the Turkish Government the acceptance by Her Majesty's Government of their proposal to apply the surplus revenue of Cyprus for 1879-80 to the payment of the arrears of interest due on the Guaranteed Loan of 1855, calculating the sum available at 85,000*l.* on the basis of 120 piastres per £ T.

The High Commissioner of Cyprus has been instructed to remit to the Ottoman Bank at Constantinople the amount required to make up the total payment due to the Porte for 1879-80, at the rate of 120 piastres to the £ T.; and Her Majesty's Ambassador has been instructed to arrange for the remittance of the whole amount to the Bank of England, on account of the arrears due by the Turkish Government to the Governments of England and France for interest in default on the Guaranteed Loan of 1855.

I am, &c.
(Signed) GRANVILLE.

No. 108.

Lord Lyons to Earl Granville.—(Received March 12.)

No. 231. Confidential.)
My Lord, *Paris, March* 10, 1881.

WITH reference to your Lordship's despatches Nos. 223 and 225, both of the 3rd instant, and to my despatch No. 220 of the 5th instant, I have the honour to report that I took an opportunity yesterday of mentioning confidentially to M. Barthélemy St. Hilaire the ultimate object with which Her Majesty's Government have made the demand, in which his Excellency is asked to join, that the Porte shall give effect to the provisions of the Convention of 1855, by which the customs of Smyrna and Syria are charged with the interest and sinking fund of the guaranteed loan.

I explained confidentially to his Excellency that the object which Her Majesty's Government had mainly in view was to place themselves in a position in which they would be entitled to treat the surplus revenue of Cyprus as part of the revenues of the Ottoman Empire, which are charged, under the Convention, with the payment of interest on the loan and sinking fund.

I have, &c.
(Signed) LYONS.

No. 109.

Mr. Goschen to Earl Granville.—(Received March 14.)

(No. 176.)
My Lord, *Constantinople, March* 8, 1881.

REFERRING to a despatch from Mr. St. John to your Lordship No. 111 of the 11th of last month, I have the honour to report that the so-called forced loan, which the Government has decreed to levy on all property, is causing considerable excitement among foreigners in Turkey whom its provisions would affect.

Meetings have been held by the different foreign communities, and protests will be addressed by them to their respective representatives, against a measure which is looked upon as a direct personal tax, involving an infraction of the rights acquired by the capitulations.

Her Majesty's Acting Judge, Mr. Burrell, to whom I have referred, has taken a similar view after a very cursory inquiry into the question, and thinks the law cannot be enforced as regards foreigners till the consent is obtained from the Representatives of the countries to which the foreigners belong.

Mr. Burrell will, however, study the matter, and consider it in all its bearings more fully than he has had time for since I instructed him to examine it.

It is proposed by some of my colleagues to direct their Dragomans most competent to deal with such subjects to meet and discuss the question and draw up a Report.

I would suggest to your Lordship in the meanwhile, that it might save time if a legal opinion were taken in England whether the new demand of the Turkish Treasury is to be considered as a tax on real property from which the foreigner in his capacity of Turkish land-holder cannot be exempted, or whether a personal tax from which the land-holder in his capacity of foreigner is, under the capitulations, free.

I have the honour to inclose a copy of a Report by Mr. Dragoman Stavrides on a similar loan raised during the last war. Owing to its having only just reached me, I have not had time to look in to the steps which were taken by my predecessor on that occasion on the strength of that Report.

I have, &c.
(Signed) GEORGE J. GOSCHEN.

Inclosure in No. 109.

Report by Mr. Stavrides.

AYANT été requis par votre Honneur d'émettre un avis concernant la question soulevée par notre Consul de Damas, à savoir: si les sujets Anglais sont tenus ou non

de payer la taxe dont leurs propriétés sont grevées sous le titre d'emprunt forcé, je m'empresse d'y obtempérer en soumettant à l'appréciation de votre Honneur les considérations suivantes: Il y a environ une année que le Gouvernement Ottoman, pressé par les besoins de la dernière guerre, avait été induit à recourir à un emprunt forcé, et il avait cru à propos, pour la répartition équitable de cette charge parmi ses sujets, de mesurer la force contributive de chacun sur la valeur de sa propriété immobilière. Voilà pourquoi l'emprunt en question prit la nuance d'un impôt foncier et voilà comment il fut abusivement imposé aux étrangers qui possèdent en Turquie de la propriété immobilière.

Je soutiens que les autorités ont commis un abus en forçant les propriétaires étrangers de contribuer à l'emprunt en question: (1) parce qu'un emprunt forcé implique l'arbitraire et que l'étranger, en vertu des Capitulations, devait être à l'abri d'un tel procédé; et (2) parce que d'après les mêmes Capitulations une taxe personnelle et directe (et cet emprunt en est une) ne saurait atteindre un sujet étranger. En outre, il me semble que l'Anglais, comme sujet d'une Puissance neutre, ne pouvait contribuer aux besoins de la guerre d'une des parties belligérantes sans déroger à la défense qui lui fut imposée par la Proclamation de neutralité de Sa Majesté la Reine.

Le propriétaire Anglais ne peut certainement se soustraire au paiement d'un impôt foncier, quelque lourd qu'il soit; mais du moment qu'il ne s'agit que de contribuer à un emprunt, le fait, que le Gouvernement a pris la propriété immobilière comme mesure de la faculté contributive de ses sujets, n'est pas à mon humble avis une raison suffisante pour obliger les propriétaires Anglais de payer une taxe qui, tout en frappant la propriété, n'est point un impôt foncier.

Je conclus en déclarant qu'à mon humble avis il y a en tout cela un malentendu qui devra naturellement cesser le jour où la question sera débattue avec la Sublime Porte.

(Signé) C. S. STAVRIDES.

Le 17 Juin, 1878.

No. 110.

Sir R. Lingen to Lord Tenterden.—(Received March 14.)

My Lord, *Treasury Chambers, March* 12, 1881.

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith, for the information of the Secretary of State with reference to your letter of the 2nd instant and to previous correspondence on the subject, copy of the letter which they have caused to be addressed to M. de Tarade respecting the payment to him as the accredited Agent of the French Government in the matter of the balance of money due by Her Majesty's Government in the settlement of accounts between the two countries up to June last, in connection with the Ottoman Guaranteed Loan of 1855.

I am, &c.
(Signed) R. R. W. LINGEN.

Inclosure in No. 110.

Sir R. Lingen to M. de Tarade.

Sir, *Treasury Chambers, March* 12, 1881.

I AM directed by the Lords Commissioners of Her Majesty's Treasury to acquaint you that, in pursuance of the request which has been made by the French Government to the Government of Great Britain and communicated to this Board by the Secretary of State for Foreign Affairs, with the object of adjusting the accounts between the two countries up to June last in respect of the Ottoman Guaranteed Loan of 1855, my Lords have issued the necessary instructions to the authorities at the Bank of England to pay to your order and on account of the French Government the sum of 2,510*l.* 1*s.* 2*d.*, for the disposal of which they understand that you have already learnt the wishes of your Government.

I am to add that the Bank of England will obtain your receipt for the money in question, and forward the same to this Department.

I am, &c.
(Signed) R. R. W. LINGEN.

No. 111.

Lord Lyons to Earl Granville.—(Received March 16.)

(No. 244. Extender.)
My Lord, *Paris, March 14, 1881.*

WITH reference to my despatches No. 220 of the 5th instant and No. 231 of the 10th instant, I have the honour to inform your Lordship that M. Barthélemy St. Hilaire told me this morning that he was not yet able to give me an answer to the suggestion I had made by your Lordship's order that he should send instructions to the French Ambassador at Constantinople respecting the Guaranteed Loan of 1855, similar to those sent by your Lordship to Mr. Goschen. He promised, however, to let me know the intentions of the French Government as soon as possible.

It appears that M. Barthélemy St. Hilaire is himself waiting for a reply from the Minister of Finance, to whom the matter has been referred.

I have, &c.
(Signed) LYONS.

No. 112.

Lord F. Cavendish to Lord Tenterden.—(Received March 17.)

My Lord, *Treasury Chambers, March 16, 1881.*

I AM directed by the Lords Commissioners of Her Majesty's Treasury to acquaint you, for the information of Earl Granville, that they think it very desirable to act on the suggestion conveyed in Mr. Goschen's telegram, of which you forward a copy in your letter of to-day's date, and they forward it to the Secretary of State for the Colonies with a request that he will instruct Sir R. Biddulph not to remit the balance to Constantinople until receipt of further orders.

I am, &c.
(Signed) F. CAVENDISH.

No. 113.

Earl Granville to Lord Lyons.

(No. 271.)
My Lord, *Foreign Office, March 19, 1881.*

WITH reference to your Excellency's despatch No. 196 of the 24th ultimo and to previous correspondence, I transmit to your Excellency herewith a copy of the letter which the Board of Treasury have caused to be addressed to M. de Tarade,* informing him of the authority given to the Bank of England to pay to him, as the Agent of the French Government, the balance due to that Government up to June last on account of the Ottoman Guaranteed Loan of 1855.

Your Excellency will be good enough to inform M. Barthélemy St. Hilaire of this arrangement.

I am, &c.
(Signed) GRANVILLE.

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* Inclosure in No. 110.

No. 114.

Mr. Goschen to Earl Granville.—(Received March 23.)

(No. 200.)
My Lord, *Constantinople, March 17, 1881.*

WITH reference to my despatch No. 176 of the 8th March, I have the honour to forward, with my reply, a copy of a memorial from British proprietors of land and houses at Constantinople, protesting against certain financial measures recently decreed by the Turkish Government.

In order that your Lordship may be able to refer without delay to Article 2 of the Law of 7th Sepher, 1284 (1869 A.D.), which is repeatedly quoted in the memorial, I inclose a copy of the Law.

I have, &c.
(Signed) GEORGE J. GOSCHEN.

Inclosure 1 in No. 114.

Mr. Whittall and seventy others to Mr. Goschen.

Your Excellency, *Constantinople, March 14, 1881.*

WE, the undersigned, British subjects, holding real property in Turkey, beg respectfully to call your Excellency's attention to the proposal to raise a forced loan from proprietors of land. We ask your Excellency not to consent to such a proposal, and we venture to make this request on the grounds that the proposal is illegal, arbitrary, and unjust.

It is illegal because, by the Capitulations, British subjects are exempt from taxation which has not been especially accepted by the Representatives of Her Majesty.

The argument which the Porte would probably use in maintaining the legality of the proposed loan is, that in accordance with the Law of the 7th Sefer, 1284, foreigners who are proprietors of land or houses are assimilated to Ottoman subjects in all that concerns their real property, and that the effect of such assimilation is to make them legally liable to all charges and taxes which may be levied by the State on real property. But the proposed loan does not even profess to be a tax levied upon land. The Porte, for its own convenience, takes the valuation of house and landed property as the basis upon which a loan shall be levied. As it is in distinct violation of the Capitulations that a forced loan or a direct and personal tax should be levied upon foreigners, the argument drawn from the Law of the 7th Sefer, 1284, would be no longer applicable. As, in accordance with the Capitulations, a direct and personal tax, under which category this loan would come, cannot be levied upon foreigners, the present application to your Excellency might appear uncalled for. But, in our opinion, it is not, because we know from experience that there is frequently a very wide difference between the wording of a Turkish law of this kind and its execution. To give one instance:—In 1878 a similar attempt was made to raise a forced loan, and to impose the same upon foreigners. This loan was then, as now, assessed upon the value of real property, the amount to be paid by each holder of property being equal to one year's tax. No direct attempt was made to enforce this loan upon foreigners, but the authorities refused to allow the transfer of property sold, or the execution of judgments given against tenants for unpaid rent, or the necessary permits for building, or even admitting furniture and making repairs, until this loan had been paid. The law authorizing this loan provided that it should be reimbursed from the taxes of the following year, but this has not been done, the authorities insisting on the payment of the regular tax, and refusing permits to transfer property, the execution for judgments for rent, or in matters connected with real estate until such payment had been made. We may add that it is, in our opinion, idle to suppose that there is the least chance of such loan ever being reimbursed. Through the intervention of several of the foreign Representatives here, the levying of this forced loan has been discontinued, but until such intervention produced the desired effect, those of us who sold property, or had rents to receive from defaulting tenants, or repairs to make, had to submit to this illegal taxation. Our object, therefore, in applying to your Excellency at this stage, is to obtain from the Porte, before the 13th instant, when the law comes into force, distinct instructions to the proper authorities, so that the payment of this loan may not be imposed upon British subjects, and forcibly levied on their applying for a permit

to transfer their property, or on their requiring the assistance of the judicial authorities for the recovery of their rents, or the order for repairs, or even removal of furniture.

The forced loan is also illegal, because it has not been voted by the Chamber, which was solemnly inaugurated by His Imperial Majesty. Your petitioners respectfully claim that the Porte and the Ministers of His Majesty the Sultan do not possess legally the right, in accordance with the Constitution granted to the country, to enforce such loan even upon native subjects, without the sanction of the aforesaid Chamber.

We may add, that even if the Law of the 7th Sefer were held to be applicable, such law does not give the Porte the right to raise taxes by anticipation. If it can do so for one year, it can with equal right do so for ten, or, in other words, confiscate our property.

It is worthy of your Excellency's attention that the new regulation exempts certain persons from the payment of the new loan. The result is to make the tax not a general one upon the whole of the community, but rather a personal one upon those who are indicated. In other words, the tax is of so purely arbitrary and unjust a character, that we respectfully suggest that it is one which ought not to be regarded as within the range of law to which British subjects were allowed to submit by the Iradé of the 7th Sefer.

We would call your Excellency's notice to the fact, that the rating of property is in many cases already very high, and those of us who have protested against the excessive valuation have not even been deigned an answer, and that such rating is invariably much higher in the case of foreigners than of Ottoman subjects. It is unnecessary to remind your Excellency also, that the money in question is avowedly wanted to meet the expenses of a probable war between Turkey and Greece, to which we, as British subjects, ought not to be called upon to contribute, that we are absolutely without any voice in the disposal of the money, and that in return for the taxes already paid, the amount of protection to life and property which we obtain is of the slightest possible kind.

Under these circumstances, and under the belief that if the present proposal were accepted by Her Majesty's Embassy and those of other European Powers our property would be at once greatly lessened in value, while there would be grave reason to fear that further exactions of a similar character would follow, we beg respectfully to request your Excellency to make such representations to the Porte as may be necessary to exempt British subjects from being compelled to contribute to the forced loan in question.

We have, &c.
(Signed) J. W. WHITTALL
(And 70 others).

Inclosure 2 in No. 114.

Mr. Goschen to Mr. Whittall.

Sir, *Constantinople, March* 16, 1881.

I HAVE to acknowledge the receipt of your letter of the 14th instant, inclosing a petition addressed to me by British proprietors of land and houses at Constantinople, on the subject of certain financial measures of the Turkish Government.

I beg you to inform those gentlemen, that I already reported the matter some time since to Lord Granville, and that I shortly expect to receive a reply.

The petitioners state that their object in applying to me at that stage of the question was to enable me to obtain from the Porte before the 13th instant, when the law would come into force, distinct instructions to the Turkish authorities.

I observe, however, that the petition itself was only dated the 14th instant.

I am, &c.
(Signed) GEORGE J. GOSCHEN.

Inclosure 3 in No. 114.

Extract from the Law of 7th Sepher, 1284.

ARTICLE 2. Les étrangers, propriétaires d'immeubles urbains ou ruraux, sont, en conséquence, assimilés aux sujets Ottomans, en tout ce qui concerne leurs biens immeubles.

Cette assimilation a pour effet légal :—

1. De les obliger à se conformer à toutes les lois et à tous les règlements de police ou municipaux qui régissent dans le présent et pourront régir dans l'avenir, la jouissance, la transmission, l'aliénation, et l'hypothèque des propriétés foncières.

2. D'acquitter toutes les charges et contributions, sous quelque forme, et sous quelque dénomination que ce soit, frappant ou pouvant frapper par la suite, les immeubles urbains ou ruraux.

3. De les rendre directement justiciables des Tribunaux civils Ottomans, pour toutes les questions relatives à la propriété foncière, et pour toutes actions réelles, tant comme demandeurs que comme défendeurs, même lorsque l'une et l'autre partie sont sujets étrangers. Ce tout au même titre, dans les mêmes conditions, et dans les mêmes formes que les propriétaires Ottomans, et sans qu'ils puissent en cette matière se prévaloir de leur nationalité personnelle; mais sous la réserve des immunités attachées à leur personne et à leur biens meubles, aux termes des Traités.

No. 115.

Lord Lyons to Earl Granville.—(*Received March* 24.)

(No. 267.)
My Lord, *Paris, March* 23, 1881.

I HAVE the honour to inform your Lordship that I have this day addressed a note to the French Government in the terms of your Lordship's despatch No. 271 of the 19th instant, respecting the payment of the balance due to the French Government on account of the Ottoman Guaranteed Loan of 1855.

I have, &c.
(Signed) LYONS.

No. 116.

Earl Granville to Mr. Goschen.

(No. 222.)
Sir, *Foreign Office, March* 24, 1881.

I HAVE had under my consideration Mr. St. John's despatch No. 111 of the 11th ultimo, and your Excellency's No. 176 of the 8th instant, relative to a forced loan of £ T. 3,000,000, which it is intended to raise partly by calling upon the proprietors of land to pay a sum equivalent to and in addition to the present land tax, and partly by a poll tax.

It is contended on behalf of foreigners in Turkey that both taxes are personal, and that they are therefore not liable to either, the amount of the tax on the proprietors of land not being charged on the land, but being only computed with reference to the amount of land tax now paid by each landed proprietor. If so, it would seem that this contention is sound, and that foreigners holders of real property may refuse payment under the terms of the Protocol, which saves their immunities in regard to "persons and personal property." It would be otherwise if the tax should be imposed directly on land.

Meanwhile, it is not clear whether the Porte claims to enforce the tax on foreigners, and before giving your Excellency definite instructions, I should wish you to endeavour to ascertain what may be the intentions of the Turkish Government in this matter.

I am, &c.
(Signed) GRANVILLE.

No. 117.

Earl Granville to Mr. Goschen.

(No. 223.)
Sir, *Foreign Office, March* 24, 1881.

WITH reference to my despatch No. 323 of the 29th July last, inclosing a copy of a memorial from the Turkish Treasury 9 per Cent. Bondholders of 1872, I transmit to your Excellency herewith a copy of a letter from the Chairman of those bondholders again calling attention to their position,* and I have to request your Excellency to bear in mind their claims whenever the financial question comes under discussion.

I am, &c.
(Signed) GRANVILLE.

No. 118.

Mr. Goschen to Earl Granville.—(Received March 27.)

(No. 191.)
My Lord, *Constantinople, March* 12, 1881.

MR. FOSTER, of the Ottoman Bank, spoke to me some days ago about the attempts which are being made by the Porte to induce the Eastern Roumelian authorities to pay the Tribute direct to the Treasury, instead of to the Ottoman Bank, and gave me the inclosed memorandum.

The Organic Statute provides that the quarterly payments are to be made at Philippopoli, into the hands of the Imperial Ottoman Bank.

The amount is pledged to the Syndicate of Bankers under the November Convention, against which my predecessor protested.

Mr. Foster did not express a wish for any interference on my part, but, in any case, I consider that Her Majesty's Government would not interfere.

It is true that there appears to be a violation of the Statute in the sense of the payment being made direct, instead of through the bankers; but Her Majesty's Government not having interfered in much more serious cases, I presume notice would only be taken of the case in point if we had a *locus standi* otherwise.

Having protested against the arrangement with the Galata bankers under which the tribute would be taken by the Syndicate, if paid in to the Ottoman Bank, I do not see that we have any occasion to interfere now in favour of the Convention, although, in a certain sense, the interests of English bondholders are affected.

I am not in favour of extending much countenance to the Syndicate of Galata bankers.

I have, &c.
(Signed) GEORGE J. GOSCHEN.

Inclosure in No. 118.

Memorandum received from Mr. Foster.

AYANT appris que la Sublime Porte a télégraphié plus d'une fois au Gouvernement de la Roumélie Orientale l'ordre de payer directement au Malié (Stamboul) le montant du tribut de cette province qui a été formellement cédé aux bondholders par la Convention du 22 Novembre, 1879, sanctionnée par Iradé Impérial, nous avons cru de notre devoir de rappeler au Gouverneur-Général, Aleko Pasha, par l'intermédiaire de notre succursale de Philippopoli, que l'acquiescement du Gouvernement Provincial à cette demande constituerait une violation de l'Article 3 du Règlement annexé au Chapitre VII du Statut Organique de la province, qui, au sujet du paiement du susdit tribut, s'exprime ainsi:—"Ces versements trimestriels sont effectués à Philippopoli entre les mains de la Banque Impériale Ottomane."

Le Gouverneur-Général a répondu par la lettre suivante, en date du $\frac{28 \text{ Février}}{12 \text{ Mars}}$, 1881:—

"En réponse à votre missive du 28 Février, 1881, je dois vous informer que le Gouvernement Provincial ne s'est encore arrêté à aucune décision concernant la demande de la Sublime Porte relative au mode de versement du Tribut Rouméliote.

* Mr. Nelson, March 17.

"En attendant, j'ai porté à la connaissance du Gouvernement Central la réclamation que vous formulez dans votre susdite lettre au nom de la Banque Impériale Ottomane; mais je pense que c'est à celle-ci de s'entendre avec la Sublime Porte sur une question de modalité qui ne peut intéresser matériellement à aucun titre la province confiée à mon administration."

No. 119.

Earl Granville to Mr. Goschen.

(No. 240.)
Sir, *Foreign Office, March* 31, 1881.

I HAVE considered the memorandum communicated to you by Mr. Foster complaining of the attempts which are being made by the Porte to induce the Eastern Roumelian Government to pay the tribute due to the Sultan direct to the Imperial Treasury instead of to the Ottoman Bank; and I concur in the opinion expressed in your Excellency's despatch No. 191 of the 12th instant, that the matter is not one in which it is necessary for Her Majesty's Government to interfere at present.

I am, &c.
(Signed) GRANVILLE.

No. 120.

Mr. Goschen to Earl Granville.—(Received April 1.)

(No. 233.)
My Lord, *Constantinople, March* 24, 1881.

IN continuation of my despatch No. 176 of the 8th instant, I have the honour to inclose a copy of one to myself from Her Majesty's Acting Judge, with a Memorandum which, at my request, he has drawn up on the subject of the recent Decree of the Turkish Government relative to a proposed loan based on the real property tax paid by foreigners.

I have, &c.
(Signed) GEORGE J. GOSCHEN.

Inclosure 1 in No. 120.

Mr. Burrell to Mr. Goschen.

Sir, *Constantinople, March* 12, 1881.

IN accordance with your Excellency's request, I have the honour to forward herewith a Memorandum respecting the proposed loan based on the real property tax paid by foreigners in Turkey, on which I had reported to your Excellency in my despatch of the 3rd instant.

I have, &c.
(Signed) W. P. BURRELL.

Inclosure 2 in No. 120.

Memorandum on the Loan decreed to be collected on the 13th March, 1881.

IN Article 1 of the Règlement, translated in the "Turquie," this is called "un emprunt intérieur."

By Article 2 it is to be calculated proportionally to the land tax, and certain persons are exempted.

Article 3 decrees that the "titres," or shares, shall bear interest at 10 per cent., and that annually a sixth of the capital shall be returned.

Article 4 fixes the amount of the loan at 300,000,000 piastres.

By Article 8 the shares are to have twelve coupons attached, two of which will be detached annually for the payment of interest, &c.

It seems, therefore, clear that this is not a tax, i.e., a land tax to which foreigners

holding real property would be liable equally with Ottoman subjects; but it is a loan, and a forced loan, in this sense, that no transfer of property, no repairs, and no removal of furniture will be allowed until the loan is paid.

On this loan 10 per cent. interest is offered, and a redemption of the loan in six years.

Neither of these promises can, in the present state of Turkish finances, be relied upon.

There is no security as to what the amount collected will really come to, and at the present moment I am informed that in the provinces bargains are being made between owners and collectors of the loan, the latter in some cases insisting on collecting it for five years in advance.

I understand, however, that the Porte is about to propose its being paid by foreign subjects for one year only.

As it is in my opinion a forced loan, and not a tax, it is doubtful whether, under the Capitulations, British subjects are liable.

(Signed) W. P. BURRELL, *Acting Judge.*

March 12, 1881.

No. 121.

Mr. Goschen to Earl Granville.—(Received April 1.)

(No. 234.)

My Lord, *Constantinople, March* 24, 1881.

I HAVE the honour to acknowledge the receipt of your Lordship's despatch No. 134 of the 28th ultimo, desiring me to cause inquiry to be made with regard to the complaint of Messrs. Hardy that they are unable to obtain from the Porte the delivery of certain 5 per cent. bonds to which they have become entitled by the surrender of 9 per cent. Treasury bonds for conversion into bonds of the General Debt, in compliance with an official notice issued by the Ottoman Government.

Your Lordship will see, from the inclosed copy of a Memorandum by Mr. Dragoman Mavinich, that representations on the subject of the Treasury bondholders have been made to the Porte by the Minister of Finance, and that the matter has been submitted to the consideration of the Council of Ministers, but that, owing to press of business, no decision has yet been taken.

I have, &c.

(Signed) GEORGE J. GOSCHEN.

Inclosure in No. 121.

Memorandum.

I HAVE read the correspondence herewith returned, from which it appears that Messrs. Hardy, Brothers, have represented to Earl Granville that they are unable to obtain from the Porte the delivery of certain 5 per cent. bonds to which they have become entitled by the surrender of 9 per cent. Treasury bonds for conversion into bonds of the General Debt, in compliance with an official notice issued by the Ottoman Government.

In accordance with your Excellency's instructions, I waited upon the Minister of Finance with a view of making inquiries into the matter.

His Excellency Tewfik Pasha, after having obtained the necessary information from his Department, told me that the financial establishment of Galata called "Crédit Général," which is the contractor of the 9 per cent. Treasury Bonds Loan, had made several applications to his Department, stating that the holders of the aforesaid Treasury bonds in London and in Paris, seeing that their complaints were not attended to by the Turkish Government, were about to appeal to the Tribunals, in the hope of obtaining through them the delivery of the bonds of the General Debt.

In consequence of these applications, the Ministry of Finance had written many times to the Sublime Porte, representing the matter on behalf of all Treasury bondholders, and requesting the Government to give its decision on the subject; that the Porte had not yet dealt with the question; and the Minister of Finance went on to say that he was therefore awaiting the orders of the Sublime Porte authorizing him to

make the said conversion into bonds of the General Debt, which the Ministry of Finance declared itself ready to deliver.

With a view to complete the information I obtained from the Minister of Finance, I waited upon the Mustichar of the Prime Minister to ascertain whether any decision had been arrived at on this subject, and I learnt from him that the communications of the Minister of Finance have been submitted to the Council of Ministers for its consideration, but that, on account of political and pressing matters, the Porte has not yet been able to deal with and decide this matter.

(Signed) HUGO MARINICH.

Pera, March 17, 1881.

No. 122.

Lord Lyons to Earl Granville.—(Received April 2.)

(No. 300.)

My Lord, *Paris, April* 1, 1881.

WITH reference to your Lordship's despatches Nos. 224 and 225, both of the 3rd ultimo, and to my despatches No. 220 of the 5th ultimo, No. 231 of the 10th ultimo, and Nos. 243 and 244 both of the 14th ultimo, I have the honour to transmit to your Lordship a copy of a note addressed to me by M. Barthélemy St. Hilaire, in answer to the request that instructions should be sent to the French Ambassador at Constantinople similar to those sent to Mr. Goschen, on the subject of the securities for the payment of the interest and sinking fund on the Guaranteed Loan of 1855.

The note states that the French Government are ready to send the proposed instructions, but that they think it would be preferable to recommend to the Porte to assign the surplus revenue of Cyprus permanently to this payment.

I have, &c.

(Signed) LYONS.

Inclosure in No. 122.

M. Barthélemy St. Hilaire to Lord Lyons.

M. l'Ambassadeur, *Paris, le* 31 *Mars,* 1881.

VOUS m'avez fait l'honneur de m'adresser, sous la date du 5 de ce mois, une note dans laquelle vous mentionniez que le Gouvernement Turc était disposé à affecter l'excédant de revenu de l'Ile de Chypre pour l'Exercice 1879-80 dû par l'Administration Anglaise au Trésor Ottoman et arrêté de commun accord à la somme de 85,000*l.*, au payement des arrérages de l'Emprunt de 1855, restant dus depuis 1880, et non couverts par le tribut d'Égypte. Cette affectation pour laquelle les arrangements nécessaires seront pris par l'entremise de la Banque Ottomane et de l'Ambassade d'Angleterre à Constantinople, viendra en déduction des avances faites par la France et par la Grande Bretagne, comme garanties solidaires de l'Emprunt de 1855.

Toutefois l'arrangement dont il s'agit, ne portant que sur une seule année des revenus de Chypre, le Gouvernement de la Reine pense qu'il y aurait lieu pour les deux Puissances garanties de se prémunir contre les déficits qu'elles peuvent être appelées à combler dans l'avenir, et la première démarche qu'il conviendrait de faire dans ce sens lui paraît d'être de réclamer de la Porte la réalisation du gage spécial constitué par l'Article III de la Convention de 1855 sur les Douanes de Smyrne et de Syrie, aussi bien que sur le tribut d'Égypte, pour le payement des intérêts et l'amortissement de l'emprunt. L'Ambassadeur d'Angleterre à Constantinople a reçu l'ordre de présenter une demande à cet effet à la Porte Ottomane, et votre Gouvernement désire savoir si le Gouvernement de la République est disposé à envoyer à son Ambassadeur des instructions semblables.

Votre Excellence termine sa communication en disant que si cette démarche n'aboutissait pas à un résultat satisfaisant, les Gouvernements garants auraient à rechercher un autre moyen de se couvrir contre toute perte.

Avant de vous répondre, M. l'Ambassadeur, j'ai cru utile de consulter mon collègue le Ministre des Finances. M. Magnin est très désireux, comme le Gouvernement de la Reine, d'arriver à une combinaison qui assure le Trésor Français contre

les charges pouvant résulter de la Convention de garantie souscrite en 1855, et à ce point de vue nous ne saurions qu'approuver les arrangements dont votre Excellence a bien voulu m'entretenir. Le Gouvernement de la République est donc prêt à envoyer à M. Tissot des directions semblables à celles dont Mr. Goschen a été muni.

Toutefois, nous devons prévoir, comme le Cabinet de Londres paraît l'avoir fait lui-même, le cas trop vraisemblable où il serait impossible d'utiliser effectivement le gage qui a été constitué aux créanciers de 1855, sur les Douanes de Smyrne et de la Syrie. La situation générale des finances de l'Empire Turc, et la nature des engagements à court terme que cet Etat est amené à contracter périodiquement pour subvenir à ses besoins journaliers, ne nous laissent que peu d'espoir d'obtenir l'emploi à notre décharge de sources de revenus déjà épuisées par l'effet de nécessités administratives pressantes. Il nous semblerait donc préférable, si tel était l'avis du Gouvernement de la Reine, de recommander l'adoption à titre permanent de la combinaison à laquelle la Porte a consenti pour un seul exercice, et consistant à affecter au service de l'Emprunt de 1855 l'excédant des revenus de l'Ile de Chypre.

Agréez, &c.
(Signé) B. ST. HILAIRE.

No. 123.

Earl Granville to Mr. Goschen.

(No. 243.)
(Telegraphic.) *Foreign Office, April 5*, 1881, 7·30 P.M.

WITH reference to your telegram No. 101 of the 13th ultimo, do you see any reason why the remittance of the balance of the Cyprus surplus to the Ottoman Bank should be any longer delayed? Colonial Office ask what instructions on the subject should be sent to Sir R. Biddulph.

No. 124.

Mr. Goschen to Earl Granville.—(Received April 6, 3·30 P.M.)

(No. 162.)
(Telegraphic.) *Constantinople, April 6*, 1881, 12·45 P.M.

YOUR telegram No. 243.

I have been pressing the Porte on the subject during the last few days. I ascertained from the Foreign Minister yesterday that there was still a hitch, which, however, he hoped would shortly be removed; but they will, however, probably prefer direct remittance from Cyprus to London.

No. 125.

Earl Granville to Mr. Goschen.

(No. 249.)
(Telegraphic.) *Foreign Office, April 6*, 1881, 7·50 P.M.

WITH reference to your telegram No. 151 of the 4th instant, French Government have only just replied about 1855 Loan, and want to ask Porte at once to apply Cyprus surplus permanently to service of loan. I have answered that we have decided to await reply of Porte to communication respecting Smyrna customs, which you are delaying until your French colleague is authorized to act with you, and I have urged that instructions should be sent to M. Tissot at once.

No. 126.

Earl Granville to Mr. Goschen.

(No. 257. Extended.)
Sir, *Foreign Office, April 6*, 1881.

WITH reference to the inquiry contained in your Excellency's telegram No. 151 of the 4th instant, whether if the French Government are not prepared to join in the representations to the Porte with regard to the non-payment of the interest

on the Guaranteed Loan of 1855, you should not act without your French colleague, I have to acquaint you that I have just received a reply from the French Government which proposes to ask the Porte at once to apply the Cyprus surplus permanently to the service of the loan.

I have directed Her Majesty's Ambassador at Paris to inform M. Barthélemy St. Hilaire that Her Majesty's Government have decided to await the reply of the Porte to the communication respecting the Smyrna Customs which you are now delaying until your French colleague is authorized to act with you, and I have urged that the necessary instructions should at once be sent to M. Tissot.

Copies of the correspondence are inclosed for your information.*

I am, &c.
(Signed) GRANVILLE.

No. 127.

Mr. Goschen to Earl Granville.—(Received April 11.)

(No. 260.)
My Lord, *Constantinople, April 5*, 1881.

I SPOKE to his Excellency Assim Pasha a week ago very urgently with reference to the payment of the Cyprus tribute and its application to the arrears of interest due on the Loan of 1855. I said that I had taken much trouble to bring about a satisfactory settlement of the exchange question while I was in England, and that I had represented the great wish of the Turkish authorities that the matter might be promptly settled; but now it appeared that these authorities were letting the question drift on.

He thanked me for the settlement as to the exchange which had been arrived at, and stated that he was in communication with the Minister of Finance with regard to the application of the whole of the tribute now available to the arrears in question; but there was a hitch with the Ottoman Bank, which was being discussed, and he hoped soon to communicate with me again. He then sounded me as to whether the sum available in Cyprus could not be remitted direct to London, the very course which I have recommended to your Lordship.

I have heard nothing since.

I propose to see the Foreign Minister this afternoon, and to press him again on the subject.

My French colleague has no instructions yet with reference to making representations on the necessity of the more regular payment in future of the interest payable by the Porte to the English and French Governments on the 1855 Loan, and of some arrangement being come to with regard to the special guarantees.

As your Lordship may possibly wish me to take some step in this matter before I return to England, I have suggested to your Lordship by telegraph whether, if the French Government do not give the necessary instructions, I should not proceed alone.

I have, &c.
(Signed) GEORGE J. GOSCHEN.

No. 128.

Earl Granville to Lord Lyons.

(No. 341.)
My Lord, *Foreign Office, April 11*, 1881.

I HAVE received your Excellency's despatch No. 300 of the 1st instant, forwarding a copy of a note from M. Barthélemy St. Hilaire, in reply to your request that he should send instructions to the French Ambassador at Constantinople to join Mr. Goschen in making a formal application to the Porte that effect should be given to the special hypothecation of the Smyrna Customs to the Guaranteed Loan of 1855.

The French Government while expressing their readiness to send instructions in this sense, state that they would prefer to recommend at once to the Porte the permanent application of the Cyprus surplus to the service of the loan.

* Nos. 122 and 128.

I have to request your Excellency to inform M. Barthélemy St. Hilaire, in reply, that Her Majesty's Government, acting on the advice of the Law Officers of the Crown, propose before taking any such steps as those suggested in his note, to await the result of the communication which Mr. Goschen has been instructed to make, but which he has hitherto delayed carring into effect until his French colleague should be authorized to act with him.

Her Majesty's Government hope that the French Government will send instructions to M. Tissot without further delay.

I am, &c.
(Signed) GRANVILLE.

No. 129.

Mr. Goschen to Earl Granville.—(Received April 18.)

(No. 285.)
Constantinople, April 12, 1881.

My Lord,

I INFORMED your Lordship on the 5th instant, by my despatch No. 260, of what had passed between the Foreign Minister and myself on the subject of the application of the Cyprus Tribute of 1879-80 to the payment of the arrears of interest on the Guaranteed Loan of 1855.

Though a week has passed since my interview I have heard nothing further on the subject. I had intended to have seriously pressed his Excellency again yesterday, but he was unable to receive the Ambassadors. In the meantime, as regards arrangements for the future, by which the inconvenience of the constant failures of the Porte to meet its engagements towards the Guaranteeing Powers might be avoided, I ascertained that the French Ambassador has now received instructions to join with me in claiming the special application of the Smyrna customs under the terms of the original contract; but I perceived, from the tenour of the despatch from M. Barthélemy de St. Hilaire, which M. Tissot was good enough to communicate to me, that the French Government seemed little disposed to push such a claim very far, and that they clung to the hope that the convenient course of assigning the Cyprus Tribute in future, as well as for the year 1879-80, might be adopted. The despatch enumerated sundry objections and difficulties as to the Smyrna customs; for instance, that the deficit in the Budget of the Lebanon should be made good from them, and that the Turks would raise the greatest possible difficulties about assigning this branch of revenue, and it appeared to me that the course which M. Tissot was instructed to take in conjunction with me was to be considered rather as a stepping-stone for claiming the Cyprus Tribute than as a *bonâ fide* and earnest attempt to settle the question by the application to the loan of certain sources of revenue already pledged to it.

I pointed out to M. Tissot that the Cyprus Tribute was pledged already to another set of creditors, and that though we were not parties to the Convention under which it was so applied, our claim to the Tribute would be tantamount to an invitation to the Porte to violate its engagements to one creditor in order to satisfy another. It would be a different matter if, despairing of any arrangement, we seized it and kept it as a set-off; but in that case I, personally, did not see any obligation on our part to divide it with France. If they had a payment to make to Turkey, they would make a similar set-off.

My object was to make it very clear that the French Government must not reckon upon the chance of being otherwise paid if they did not cordially support the claim to the Smyrna customs.

If I find such lukewarmness on the part of M. Tissot in the steps which we shall soon have to take to carry out our instructions as to find the chances of success paralyzed thereby, I shall venture to apply to your Lordship for fresh instructions.

Meanwhile, your Lordship may possibly think it desirable to make it clear to M. Barthélemy de St. Hilaire that he must give up the view that the French Government may be reimbursed by a half share in the Cyprus Tribute, in which case M. Tissot might receive more energetic instructions.

I have, &c.
(Signed) GEORGE J. GOSCHEN.

No. 130.

Mr. Cole to Lord Tenterden.—(Received April 18.)

Treasury Chambers, April 16, 1881.

My Lord,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to send herewith two statements, the first showing the present position of the Ottoman Guaranteed Loan of 1855, and the second showing precisely the sum due by the Porte in respect of advances for interest, &c., by Her Majesty's Government up to the 6th instant; and I am to request that you will move Lord Granville to cause this information to be communicated to Her Majesty's Ambassador at Constantinople with reference to his despatch of the 17th ultimo, which was forwarded to this Board in your letter of the 24th ultimo.

I am, &c.
(Signed) JAMES H. COLE.

Inclosure in No. 130.

IMPERIAL OTTOMAN LOAN OF 1855.

	£
Original amount of loan	5,000,000
Deduct—	
Amount paid off by sinking fund up to August 1875, since which date nothing has been paid off*	1,184,800
Amount of capital outstanding	3,815,200
Annual charge for interest thereon at 4 per cent. per annum	152,608

Bank charge for management, 360*l.* per million on outstanding capital.
Interest payable on 1st February and 1st August.

AMOUNTS paid by the British Government.

Date.		£ s. d.
March 15, 1878	For interest due 1st February, 1878	76,304 0 0
26,	The Bank of England advanced the interest when it fell due, but that advance was not repaid from the Exchequer until opportunity had been given to the Porte to make good the default. The charge of the Bank of England for the advance was	175 12 1
March 21, 1879	For part interest due 1st February, 1879	60,000 0 0
May 5,	The Bank of England advanced the interest when it fell due, but that advance was not repaid from the Exchequer until opportunity had been given to the Porte to make good the default. The charge of the Bank of England for the advance was	242 12 10
March 24, 1880	Part of interest due 1st February, 1880	68,504 0 0
24,	The Bank of England advanced the interest when it fell due, but that advance was not repaid from the Exchequer until opportunity had been given to the Porte to make good the default. The charge of the Bank of England was	279 17 7
August 3,	Part of interest due 1st August, 1880	40,304 0 0
3,	Management	1,144 11 2
Feb. 9, 1881	Part of interest due 1st February, 1881	40,304 0 0
		287,858 13 8
	Deduct amounts received from the Egyptian Government— £	
	July 5, 1878 30,700	
	April 10, 1879 40,600	
	June 9, 1880 73,804	
		145,104 0 0
	Balance due from the Turkish Government on 6th April, 1881 ..	142,754 13 8

NOTE.—No sum has as yet been received on account of the Cyprus Tribute.

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* The sinking fund was fixed under Article II of the Convention (embodied in the Act 18 and 19 Vict., chap. 99) at 1*l.* per cent. per annum on the whole capital of 5,000,000*l.* sterling.

No. 131.

Lord Lyons to Earl Granville.—(Received April 20.)

(No. 365.)
Paris, April 19, 1881.

My Lord,

WITH reference to my despatch No. 343 of the 14th instant, I have the honour to transmit to your Lordship a copy of a note from M. Barthélemy St. Hilaire, stating that instructions have been sent by telegraph to the French Ambassador at Constantinople to come to an understanding with Mr. Goschen, with a view to calling on the Porte to give effect to the special hypothecation of the Smyrna customs to the Guaranteed Loan of 1855.

I have, &c.
(Signed) LYONS.

Inclosure in No. 131.

M. Barthélemy St. Hilaire to Lord Lyons.

Paris, le 18 Avril, 1881.

M. l'Ambassadeur,

J'AI l'honneur de vous accuser réception de votre lettre en date du 14 Avril, par laquelle vous me faites connaître que votre Gouvernement, sur l'avis des jurisconsultes de la Couronne, croit nécessaire de faire une démarche formelle auprès du Gouvernement Ottoman, en vue de réaliser l'hypothèque spéciale établie sur les Douanes de Smyrne au profit des porteurs de l'Emprunt Garanti de 1855, avant de recourir à la ressource que les excédants des revenus de l'Ile de Chypre laisse disponible. Votre Excellence demande que le Gouvernement Français adresse des instructions dans ce sens à son Ambassadeur à Constantinople, et elle veut bien m'informer que le Gouvernement Anglais en a déjà envoyé d'analogues à son propre Ambassadeur.

Je m'empresse de télégraphier à M. Tissot pour l'inviter à s'entendre avec Mr. Goschen, et à faire, d'accord avec lui, auprès du Gouvernement Ottoman, la démarche que vous jugez utile.

Agréez, &c.
(Signé) B. ST. HILAIRE.

No. 132.

Mr. Bramston to Lord Tenterden.—(Received April 20.)

Downing Street, April 16, 1881.

My Lord,

WITH reference to your letter of the 21st February last on the subject of the rate at which the surplus revenue of Cyprus should be paid over to the Porte, I am directed by the Earl of Kimberley to transmit to you, for the information of Earl Granville, the accompanying copy of a despatch from the High Commissioner for Cyprus relative to this question.

I am, &c.
(Signed) JOHN BRAMSTON.

Inclosure in No. 132.

Sir R. Biddulph to the Earl of Kimberley.

Nicosia, March 18, 1881.

My Lord,

I HAVE the honour to acknowledge receipt of your Lordship's despatch of the 3rd instant, in which I am instructed to convert the payment due to Turkey for the year 1879-80 into gold at the rate of 120 metallique piastres to the £ T., and to remit to the Ottoman Bank at Constantinople the amount required to make up, with the sum already deposited at that Bank, the total payment due to the Porte for that year at the above-mentioned rate of exchange.

2. From the Treasury letter of the 16th ultimo, which was inclosed in your Lordship's despatch, it would seem that the Lords of the Treasury are under the impression that we stand in a different situation towards the Porte as regards the

7,402,625 piastres paid for 1878-79 and the 11,092,377 piastres paid for 1879-80. As a matter of fact, the Turkish Government has never formally accepted either sum. The first named sum was lodged by me at the Ottoman Bank at Constantinople on behalf of the Porte, and the Bank gave me an acknowledgment for it. But I was informed last year that the Porte had never actually drawn it from the Bank, but had contented themselves with obtaining a loan on its security. Exactly the same thing seems to have been done with the 52,538*l.* which I instructed the Bank in March 1880 to pay to the Porte, except that in this case the Bank, not wishing to give another receipt on behalf of the Porte, have left the money in our hands, but have, I understand, lent money to the Porte on the security of it. Although the Bank has never cashed the order I sent them, yet the money is still at their disposal, nor could it be with propriety withdrawn.

3. The balance to be paid under the instructions now received is 35,654*l.*, concerning which I am awaiting further instructions in accordance with your Lordship's telegram of the 14th instant.

4. With regard to future payments, I shall address your Lordship as soon as I have obtained the information required in paragraphs 3 and 5 of your Lordship's despatch now under acknowledgment.

I have, &c.
(Signed) ROBT. BIDDULPH.

No. 133.

Earl Granville to Lord Lyons.

(No. 365.)
Foreign Office, April 20, 1881.

My Lord,

WITH reference to your Excellency's despatch No. 365 of the 19th instant, on the subject of the Guaranteed Turkish Loan of 1855, I transmit to you, for your information, a copy of a despatch from Her Majesty's Ambassador at Constantinople,* containing observations in regard to the instructions addressed to his French colleague by M. Barthélemy St. Hilaire as to the course he should pursue in conjunction with Mr. Goschen for claiming the special application of the Smyrna customs towards the payment of the arrears of interest on the Loan in question; and I have to request your Excellency to shape your conversation with M. Barthélemy St. Hilaire in accordance with the terms of this despatch.

I am, &c.
(Signed) GRANVILLE.

No. 134.

Sir R. Lingen to Lord Tenterden.—(Received April 22.)

Treasury Chambers, April 21, 1881.

My Lord,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to acknowledge the receipt of Sir Julian Pauncefote's letter of the 20th instant, inclosing copy of a despatch from Mr. Goschen relative to the instructions sent to the French Ambassador at Constantinople as to the branch of revenue which should be assigned by the Porte to the payment of arrears of interest on the 1855 Loan; and I am to acquaint you, for the information of Earl Granville, that my Lords concur entirely in the language held by Mr. Goschen, and would be glad to learn that his Lordship saw no objection to acting upon the suggestion at the end of Mr. Goschen's despatch of the 12th instant.

My Lords notice the very just distinction which Mr. Goschen draws between the case of two creditors who join to enforce an arrangement on their common debtor for their mutual benefit, and the case of two creditors, of whom one claims a share in an indemnity which the other already had in his hands whenever he might choose to impound it, without need of the other's assistance.

I am, &c.
(Signed) R. R. W. LINGEN.

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* No. 129.

No. 135.

Messrs. Hardy Bros. to Sir J. Pauncefote.—(Received April 25.)

Sir, 13, *Copthall Court, Throgmorton Street, April* 22, 1881.

IN acknowledging your letter of the 13th instant, we beg to acquaint you that the object of our Memorial of the 31st December last has been attained, Messrs. Raphael and Sons, the contractors for the 9 per Cent. Treasury Bonds, having notified that the Bonds of the 5 per Cent. General Debt are now ready in exchange.

We feel confident that the action taken by Lord Granville, in answer to our Memorial, has largely tended to this result, and we beg you will convey to his Lordship our respectful and sincere thanks.

We have, &c.
(Signed) HARDY BROS.

No. 136.

Mr. Goschen to Earl Granville.—(Received May 2.)

(No. 310.)
My Lord, *Constantinople, April* 22, 1881.

I HAVE received your Lordship's despatch No. 222 of the 24th instant, directing me to endeavour to ascertain the intentions of the Turkish Government as regards foreigners in the matter of the proposed forced loan referred to in my despatch No. 176 of the 8th ultimo.

Mr. Acting Consul-General Wrench, whom I consulted on the matter, informs me that hitherto the Sublime Porte has not attempted to enforce on British subjects the tax alluded to in your Lordship's above-mentioned despatch.

I have, &c.
(Signed) GEORGE J. GOSCHEN.

No. 137.

Sir J. Pauncefote to Sir R. Lingen.

Sir, *Foreign Office, May* 2, 1881.

WITH reference to the hope expressed in your letter of the 21st ultimo, that the French Government should be made to understand, as recommended by Mr. Goschen, that they are not to expect reimbursement in regard to the interest on the Guaranteed Loan of 1855 by a half-share of the Cyprus Tribute, I am directed by Earl Granville to inform you, for communication to the Lords Commissioners of Her Majesty's Treasury, that Her Majesty's Ambassador at Paris was instructed to shape his observations to M. Barthélemy St. Hilaire in conformity with Mr. Goschen's despatch.

I am to add, that Lord Lyons has since reported that the French Ambassador at Constantinople has been directed to come to an understanding with Mr. Goschen, with a view to pressing on Turkey the claims of the two Governments to the Smyrna customs.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 138.

Mr. Goschen to Earl Granville.—(Received May 4.)

(No. 330.)
My Lord, *Constantinople, April* 29, 1881.

WITH reference to your Lordship's despatch No. 209 and its inclosures, showing the position of the arrears on the Ottoman Guaranteed Loan of 1855, I presume the sum I have to claim on behalf of the English and French Governments together is 342,754*l.*

I should have been inclined to think that it would have been more expedient to

attempt to settle, in the first instance, the arrears up to the end of last year—that is to say, to leave out the last February payment, so as to bring the payment, by means of the Cyprus Tribute, more nearly up to the amount due, and to let the repayment of the 40,304*l.* paid in February form part of a subsequent arrangement.

I should be glad to be informed whether an account has ever been rendered through the Turkish Ambassador in London of the amounts due and the actual indebtedness of the Turkish Government to the Guaranteeing Powers, or whether he has simply received notice of each default.

I have been personally urging on the Foreign Minister at least twice a week the absolute necessity of settling the question of arrears now that Her Majesty's Government has yielded to his representations as to the rate of exchange of the Cyprus Tribute.

I learnt yesterday that the Minister of Finance had now supplied the necessary materials, and that I should receive in a few days the formal answer of the Porte.

I have, &c.
(Signed) GEORGE J. GOSCHEN.

No. 139.

Mr. Gualdlla to Earl Granville.—(Received May 4.)

My Lord, 12, *Talbot Square, Hyde Park, May* 4, 1881.

AS Chairman of the English Committee of the Turkish bondholders of the 5 per cent. 1865 and 1873 Loans, I beg leave to point out to your Lordship that the gross revenue of the provinces, which it is proposed to transfer to Greece by the Berlin Conference, amounts to a considerable sum per annum, from which amount the expenditure of collection has to be deducted.

I trust the Powers will insist on Greece assuming that part of the Turkish debt which reasonably constitutes a fair average of the income.

This, together with the sums to be received from Bulgaria and Servia, under the provisions of the Berlin Treaty, ought to be set apart for the holders of Turkish bonds in part payment of their claims. Such sums ought at all times to constitute a first charge on the Budget of Greece, besides bearing a sort of sanction of the European Powers. This would much facilitate a settlement of Turkey's financial difficulties, so important to the English holders of upwards of 65,000,000*l.* of Turkish bonds.

I am of opinion, my Lord, that the unfortunate bondholders should be in some way represented or assisted by their respective Governments, the question of the settlement of the debt being intimately bound up with the question of Administrative reforms, for the supervision of which a European Commission was instituted by Article XVIII of the Berlin Treaty. This Commission having given Eastern Roumelia a Constitution, and disposed of several questions consigned to its care by Article XXIII, could investigate the financial difficulty in a manner which might overcome the insurmountable objections of the Sultan and Turkish Government to the appointment of an International Financial Commission.

I remain, &c.
(Signed) H. GUEDALLA.

No. 140.

Mr. Goschen to Earl Granville.—(Received May 9.)

(No. 337.)
My Lord, *Constantinople, May* 2, 1881.

WITH reference to my despatch No. 234 of the 24th March last, I have the honour to report that, having learnt from the Ministry of Finance that the bonds 5 per cent. ("consolidés") had really been issued to holders of the 9 per cent. Treasury bonds, I caused further inquiry to be made.

I am now informed, on the best authority, that the Ottoman Government has delivered to the Crédit Général Ottoman bonds of the 5 per cent. debt in sufficient quantity only to meet the conversion of those bonds, which have been stamped up to the 15th period of option (viz., June, July, 1880), but has not as yet delivered a

sufficient number of 5 per cent. bonds to meet all the 9 per cent. Treasury bonds issued.

I have, &c.
(Signed) GEORGE J. GOSCHEN.

No. 141.

Mr. Goschen to Earl Granville.—(Received May 9.)

(No. 338.)
My Lord, *Constantinople, May 2, 1881.*

IN compliance with the instructions contained in your Lordship's despatch No. 148 of the 3rd March last, I have the honour to transmit to you herewith a copy of the note which I have addressed to the Porte pressing for some provision for the regular payment by the Ottoman Government of the interest of the Guaranteed Loan of 1855.

By your Lordship's instructions I have been in communication with the French Ambassador with a view of our taking joint action in this question, and accordingly, before sending in my note I communicated it to M. Tissot, who has addressed a representation to the Ottoman Government substantially identic with mine.

I have, &c.
(Signed) GEORGE J. GOSCHEN.

Inclosure in No. 141.

Mr. Goschen to Assim Pasha.

Constantinople, April 30, 1881.

M. le Ministre,

I HAVE the honour to inform your Excellency that I have received instructions from Earl Granville to draw the attention of the Sublime Porte to the fact that for the last three years the Sublime Porte has, with two exceptions, failed to provide the interest due on the Guaranteed Loan of 1855 when it fell due.

The amounts in arrear have been recovered after much correspondence up to the beginning of 1880, and the Ottoman Government has promised to make arrangements under which a large part of the sum due since that date will be made good, but it is evident that the present arrangements are most defective, and that it is incumbent on the Ottoman Government to make such regular provision for the discharge of the interest as will relieve the English and French Governments from the expense and inconvenience to which they are now periodically exposed.

I have the honour to draw your Excellency's attention to the fact that under the IIIrd Article of the Convention of 1855 the Customs of Smyrna and Syria, as well as the surplus tribute of Egypt, are specially charged with the interest and sinking fund of the loan. It is, therefore, the duty of the Sublime Porte to give to the Guaranteeing Governments the benefit of the special securities to which they are entitled by the Convention.

I must, however, warn your Excellency, in the event of this representation not having the desired result, that it will be for Her Majesty's Government, in concert with the French Government, to consider what other arrangement can be made for securing the Guaranteeing Governments against loss by the default of the Ottoman Government.

I avail, &c.
(Signed) GEORGE J. GOSCHEN.

No. 142.

Mr. Goschen to Earl Granville.—(Received May 16.)

(No. 374.)
My Lord, *Constantinople, May 10, 1881.*

I HAVE the honour to inclose copy of a note from the Porte relative to the arrears due on the Ottoman Guaranteed Loan of 1855, and the application of the surplus revenues of Cyprus (for the year 1879-80) to their payment.

The note not being very intelligible, I yesterday asked the Foreign Minister for

explanations with regard to several points, and we discussed the whole contents of the note.

Your Lordship will observe that it states, in the first place, that the sum of 85,000*l.*, now treated as the surplus revenues of Cyprus for the year in question (at the rate of exchange of 120) is not accepted by the Porte as a final settlement. The Sublime Porte makes a reservation in this respect, but if I recollect rightly, there was some question left open by Sir R. Biddulph.

In the next place the note states that as, under Article 8 of a Convention made with the "Administration of the Six Indirect Contributions," the Ottoman Government has pledged the Cyprus revenues for the payment of interest on the general public debt, internal and external, it can only apply such a portion of the Cyprus revenue to the Loan of 1855 as was anterior to the date of the said Convention. This passage was explained to me to mean that the Porte cannot apply the whole of the 85,000*l.* to the payment of the arrears on the loan in question, but must deduct from that sum an amount in proportion to the period which had elapsed after the surplus revenues were pledged, for the payment of the general debt. His Excellency Assim Pasha believed that ten months' revenue could be applied to the Loan of 1855, but that as much of the revenue as belonged to the last two months must go to the other loans.

I believe the fact to be that the Ottoman Bank, in whose hands 15,000*l.* out of the 85,000*l.* have been lodged for the last year, will not part with this money unless under some such arrangement as has been indicated in the note. If this is the case, about one-sixth of the 85,000*l.*, or about 15,000*l.*, will have to be deducted, and only 70,000*l.* would remain for the payment of the arrears.

I pressed his Excellency to let me know at once what was the precise amount which, according to this construction, would have to be deducted, and, at least, to give orders to have the whole of the available funds remitted forthwith. Also I must press the Porte to know by what means it would meet both the deficit on the 85,000*l.*, and the further arrears which had accumulated from the non-payment of the necessary interest in February last.

His Excellency replied that this question was connected with the one which had been dealt with by me in a separate note, namely, the future arrangements for the service of the guaranteed debt. He could assure me that the matter was receiving the earnest attention of the Ministers. He hoped he might shortly be able to make a satisfactory proposal.

Lastly, I made a reservation with reference to the passage in the note relating to the future rate of exchange for the conversion of the Cyprus revenue into Turkish pounds. I could not admit it at 100 piastres. This was a question which must be left open for further arrangements.

I do not propose to reply to the note till I receive the details for which I have asked, and which the Foreign Minister has promised me, but I shall continue to press for the immediate remittance of as large a portion of the 85,000*l.* as possible.

I hope to be able to address your Lordship again on this matter in a few days.

I have, &c.
(Signed) GEORGE J. GOSCHEN.

Inclosure in No. 142.

Assim Pasha to Mr. Goschen.

Sublime Porte, le 7 Mai, 1881.

M. l'Ambassadeur,

J'AI reçu la note que l'Ambassade de Sa Majesté Britannique a bien voulu m'écrire le 1er Février, relativement à la question de l'excédant des revenus de Chypre.

Une communication adressée depuis par son Excellence Lord Granville à l'Ambassade de Sa Majesté Impériale le Sultan à Londres porte que le Haut Commissaire de Chypre a été autorisé à remettre à la Banque Ottomane le montant nécessaire pour compléter la totalité de la somme due à la Sublime Porte pour le paiement des revenus de l'île de l'année 1879-80, s'élevant à 85,000*l.* sterling, à raison de 120 piastres la livre Turque. La même communication ajoute que cette somme sera versée à la Banque d'Angleterre pour être portée sur le compte des arriérés dus aux Gouvernements d'Angleterre et de France à titre d'intérêts en défaut de l'Emprunt Garanti de 1855.

Permettez-moi, M. l'Ambassadeur, de vous faire remarquer que la dite somme de 85,000*l.* sterling ne représente pas la totalité du surplus des revenus de Chypre, et que,

par conséquent, le Ministre des Finances ne peut en délivrer quittance, qu'à titre d'acompte et sous réserve d'une entente définitive.

Je crois devoir ajouter qu'aux termes de l'Article VIII de la Convention passée avec l'Administration des Six Contributions Indirectes, le Gouvernement Impérial ayant consacré les revenus de Chypre au service de la dette publique intérieure et extérieure en général, ne peut en affecter le montant aux intérêts de l'Emprunt Garanti de 1855 que pour la partie qui a précédé la conclusion de la dite Convention.

Quant aux taux de la livre Turque, il est de 100 piastres. Si le Gouvernement Impérial a accepté l'excédant des revenus de l'Exercice 1879 à 120 piastres la livre, c'était à titre exceptionnel et par suite des motifs exposés dans la note de mon prédécesseur, en date du 15 Juillet, 1880, et dans la mienne du 13 Octobre.

Il va de soi que désormais l'excédant des revenus de l'île ne pourra être accepté par le Malié qu'en bonne monnaie, la livre Turque calculée à son taux légal, c'est-à-dire à 100 piastres.

Veuillez, &c.
(Signé) M. ASSIM.

No. 143.

Mr. Herbert to Lord Tenterden.—(Received May 19.)

Sir, *Downing Street, May 18, 1881.*

I AM directed by the Earl of Kimberley to transmit to you, to be laid before Earl Granville, a copy of a despatch from the High Commissioner for Cyprus on the subject of the "Roosoomat" taxes levied in that island, and proposing the reopening of the question of the amount of Tribute payable to Turkey, with a view to the deduction of these taxes, from the receipts on which the annual payment to Turkey is based, as they ought, according to an Iradé of 1877, to which he refers, to have been transferred to the Municipal Councils in Cyprus before the British occupation.

From the statement of Sir R. Biddulph, Lord Kimberley understands that the Imperial Iradé of 1877 not having been published in Cyprus, these taxes had never, in fact, been handed over to the Municipalities, but continued, rightly or wrongly, to form part of the Imperial revenue up to the time of the British occupation.

The Secretary of State would be glad to be informed whether Lord Granville is of opinion that, in these circumstances, and having regard to the *notes verbales* of the Turkish Government to Her Majesty's Ambassador at Constantinople, of the 14th August and the 1st September, 1879, and to the despatch from Sir R. Biddulph to the Marquis of Salisbury, No. 189 of the 26th November, 1879, it would be expedient to reopen the discussions as to the amount of the tribute payable to the Porte in the manner proposed.

I am, &c.
(Signed) ROBERT G. W. HERBERT.

Inclosure 1 in No. 143.

Sir R. Biddulph to the Earl of Kimberley.

My Lord, *Nicosia, April 9, 1881.*

I HAVE had frequent representations from the Municipal Councils in Cyprus that the measuring tax ought to be made over to them as well as the weighing tax. A reference to the third volume of Législation Ottomane, p. 70, will show that both these taxes have long since been made over to the Municipality of Constantinople, and I believe that the boon was subsequently extended to the provinces by an Imperial Iradé of 1877, which, however, had not been published in Cyprus at the time of the British occupation. An Order was, however, found, dated April 1878, instructing the Mutessarif of Cyprus for the future to hand over to the Municipalities the weighing tax. This was reported in Sir G. Wolseley's despatch of the 20th November, 1878, and it was in consequence of this Order that I claimed at Constantinople that the amount received for weighing tax during the five years 1873-77 should be deducted from the general receipts on which the future annual payment to Turkey is based.

2. The weighing and measuring taxes are included in what was termed the

"Roosoomat" taxes, a description of which is given in the accompanying Memorandum, prepared by me in January 1879. Had I been aware of the existence of the Imperial Iradé above quoted, I should have claimed the deduction of the whole of the "Roosoomat" taxes instead of the weighing tax only. This deduction would have amounted to a further annual sum of 110,100 piastres, or about 917*l.*, at the rate at which they will be converted, and the Iradé of 1877 makes over all the "Roosoomat" taxes to the Municipalities. I shall advert to this point in my further reply to your Lordship's despatch of the 3rd ultimo.

3. The point I am now desirous of bringing under your Lordship's notice is whether we should not let the Municipalities have the measuring tax. The fact of other Turkish provinces having received it gives a certain point to the request of the towns, and will enable them to reduce the total taxation. I find that the gross amount received for measuring tax in the year 1879-80 was 500*l.* 18*s.* 9*d.*

4. With regard to the other two taxes included in the "Roosoomat," I find that the sale of animals tax yielded in 1879-80, 401*l.* 14*s.* 3*d.*, and the market tax at Larnaka, 31*l.* 13*s.* The cost of collecting the "Roosoomat" taxes is 27½ per cent. of the gross collection.

5. I recommend that the market tax at Larnaka shall be discontinued at once, on the understanding that no similar tax will be allowed to be levied by the Municipality. I should make a similar recommendation as regards the sale of animals tax, were it not that in the present state of our finances I am unwilling to recommend a loss of even 400*l.* a-year to the Revenue, unless your Lordship should agree with me as to the undesirability of keeping on a tax of this nature.

I have, &c.
(Signed) ROBT. BIDDULPH.

Inclosure 2 in No. 143.

The Acting Financial Commissioner to Chief Secretary to Government.

THE Roosoomat, which has been sold for this year to a tax farmer for 480,000 piastres caïmé, consists of the following taxes:—

1. Weighing tax, yielding for 1878-79, 335,704 piastres caïmé, half of which at Limassol.

This tax is paid on goods brought in for sale, as follows:—

Everything except onions, lime, charcoal and chaff, pays half a para per oke. The articles above named pay 10 paras for any weight up to 50 okes, and 20 paras above 50 okes.

2. Measuring tax, yielding for 1878-79, 76,556 piastres caïmé. This tax is paid on the measuring of goods sold, 4 paras per bushel, half by purchaser and half by seller. (It applies only to corn, barley, and oats.)

3. Sale of animals yields this year 59,698 piastres caïmé, 1 para in each piastre of the price. A very troublesome tax to collect; tax farmer has many arrears.

4. Tax on sale of things in market places. This tax is only collected at Larnaka, and yields for this year 8,040 piastres caïmé. It consists as follows:—

2 okes from every camel load, whatever it carries
1 oke of the load of every other animal.
10 paras for every load of green vegetables.
10 paras for every large basket of grapes.
20 paras on every sack of charcoal.
20 paras on every load of lime.

If lime, onions, charcoal, and straw are weighed, they are exempted from this tax, but pay the weighing tax.

It seems desirable to abolish this last tax. It yields very little, is only levied at Larnaka, and can but serve to increase the already high prices of that place. If abolished, however, by the Government, the Municipality should not be permitted to reimpose it, or any tax analogous to it.

Of the first three taxes, No. 3 is an *ad valorem* tax, and it makes no difference what currency it is collected in.

Nos. 1 and 2 will probably yield a very much larger sum than they have been sold for hitherto. As these taxes will often be collected in small sums, and in copper

coinage, I submit that they should be collected at the copper Tariff of 160 to the £. It is estimated that at this Tariff it will yield next year a million piastres (5,555*l.*). Three-fourths of this will, however, go to the Municipalities for weighing tax.

(Signed) R. BIDDULPH.

January 8, 1879.

No. 144.

Earl Granville to Mr. Goschen.

(No. 381.)

Foreign Office, May 21, 1881.

Sir,

I HAVE to acquaint your Excellency, in reply to your despatch No. 330 of the 29th ultimo, relative to the arrears due from the Porte on the Guaranteed Loan of 1855, that 142,754*l.* 13*s.* 8*d.* is the total sum due to the British and French Governments together down to the 6th ultimo for unpaid interest and Bank commission. The annual amount due from Turkey under these heads is 154,897*l.* 2*s.* 4*d.*, towards which the Egyptian Tribute, which is paid direct to the Bank of England, provides the sum of 72,000*l.*, leaving a balance of 82,897*l.* 2*s.* 4*d.* to be covered by the Porte, or, in its default, by the Governments of England and France.

Whenever such default is made the Bank of England gives notice to the Lords Commissioners of Her Majesty's Treasury, who communicate the fact to this Department, and application is thereupon made through the Ottoman Embassy in London for repayment from the Porte, but no general statement of the indebtedness of the Porte to the Guaranteeing Powers such as has been furnished to your Excellency has been communicated to the Turkish Ambassador.

I am, &c.

(Signed) GRANVILLE.

No. 145.

Lord Tenterden to Sir R. Lingen.

(Confidential.)

Foreign Office, May 21, 1881.

Sir,

I AM directed by Earl Granville to transmit to you, for the consideration of the Lords Commissioners of Her Majesty's Treasury, the accompanying copy of a despatch from Her Majesty's Ambassador at Constantinople* relative to the arrears due by the Porte on the Guaranteed Loan of 1855.

I am to request that you will state to their Lordships that Lord Granville has informed Mr. Goschen that 142,754*l.* 13*s.* 8*d.* is the total sum due to the British and French Governments together for unpaid interest and Bank commission down to the 6th ultimo; and it has been explained to his Excellency that on each occasion of default by the Turkish Government application is made by this Department to the Ottoman Embassy for repayment from the Porte, but that no general statement of the indebtedness of Turkey to the Guaranteeing Powers such as was contained in your letter of the 16th ultimo, and was transmitted to Mr. Goschen, has been communicated to the Ottoman Ambassador.

I am, &c.

(Signed) TENTERDEN.

No. 146.

Musurus Pasha to Earl Granville.—(Received May 25.)

My Lord,

Ambassade Impériale Ottomane, Londres, le 24 *Mai*, 1881.

AYANT transmis au Gouvernement Impérial la note de votre Excellence du 10 Mars dernier, concernant l'affaire de l'excédant des revenus de Chypre, j'ai l'honneur d'informer votre Excellence, conformément à une dépêche que je viens de recevoir de son Excellence Assim Pacha, que, d'après le rapport du Ministère Impérial des Finances, auquel la note précitée de votre Excellence a été communiquée, la somme de

* No. 138.

85,000 livres sterling, à raison de 120 piastres la livre Turque, versée par le Gouvernement de Sa Majesté la Reine, ne représente pas la totalité du surplus des revenus de Chypre, dû au Trésor Impérial, et que, par conséquent, le Ministère Impérial des Finances ne peut l'accepter que sous réserve et à titre d'acompte.

En communiquant ce qui précède à votre Excellence, je la prie de vouloir bien faire transmettre au Haut Commissaire de Sa Majesté la Reine les instructions nécessaires pour que cette affaire soit définitivement réglée entre l'Administration de Chypre et le Ministère Impérial des Finances à Constantinople.

J'ai, &c.

(Signé) MUSURUS.

No. 147.

Mr. Meade to Lord Tenterden.—(Received May 25.)

(Confidential.)

Downing Street, May 25, 1881.

Sir,

ADVERTING to the question of the payment of the 1879-80 Cyprus Tribute to the Porte, I am directed by the Earl of Kimberley to request that you will draw Earl Granville's attention to the following passages in the correspondence. Sir R. Biddulph, in his despatch No. 116 of the 18th March (communicated to you in the letter from this Department of the 16th April), wrote as follows:—

"The first-named sum (*i.e.*, the tribute for 1878-79) was lodged by me at the Ottoman Bank at Constantinople on behalf of the Porte, and the Bank gave an acknowledgment for it. But I was informed that the Porte had never actually drawn it from the Bank, but had contented themselves with obtaining a loan on the security. Exactly the same thing seems to have been done with the 52,538*l.* which I instructed the Bank, in March 1880, to pay to the Porte, except that in this case, the Bank not wishing to give another receipt on behalf of the Porte, have left the money in our hands, but have, I understand, lent money to the Porte on the security of it. Although the Bank has never cashed the order I sent them, yet the money is still at their disposal, nor could it with propriety be withdrawn."

Mr. Goschen, in his telegram to Earl Granville of the 13th March, 1881, expressed himself as follows:—

"I hear it is possible that Ottoman Bank may claim to retain tribute in repayment of advance made to them. If so, it may be wise to remit balance from Cyprus direct to London by agreement with Porte, instead of through Ottoman Bank."

This appears only to refer to the balance beyond 52,538*l.* tendered to the Porte by Sir R. Biddulph, and on such balance the Ottoman Bank could not have directly lent money, as it had no knowledge that Her Majesty's Government would direct any increase to be made on the sum already tendered. But in Mr. Goschen's despatch to Lord Granville of the 5th April, he reports that Assim Pasha sounded him "as to whether "the sum available in Cyprus (which, in fact, is the whole 88,000*l.* odd), could not be remitted direct to London?"—"the very course," Mr. Goschen observes, "which I had recommended to your Lordship."

On this I am to observe that, whereas Mr. Goschen's recommendation referred to the balance beyond 52,538*l.*, Assim Pasha's proposal apparently referred to the larger sum, and would, in effect, if carried out, have defeated the lien which the Ottoman Bank possesses on the money.

In these circumstances, the question appears to Lord Kimberley to arise, whether it is fair to the Ottoman Bank, in one of the branches of which the whole sum now is deposited, to withdraw the money with a view to making a payment direct to the Porte.

As the Turkish Government is, no doubt, largely in debt on the whole to the Ottoman Bank, the question may be raised in respect of the whole sum of 88,000*l.* odd; but it seems to arise more particularly in regard to the portion of 52,538*l.* on which the Bank is stated to have made a specific advance.

I am, &c.

(Signed) R. H. MEADE.

No. 148.

Lord Tenterden to Sir R. Lingen.

Foreign Office, May 27, 1881.

Sir,

I AM directed by Earl Granville to transmit to you, to be laid before the Lords Commissioners of Her Majesty's Treasury, a copy of a despatch from Her Majesty's Ambassador at Constantinople, inclosing copy of a note from the Porte relative to the application of the surplus revenues of Cyprus for 1879-80 to the payment of the arrears due on the Ottoman Guaranteed Loan of 1855, and reporting a conversation his Excellency had with the Turkish Minister for Foreign Affairs on the subject of the note.*

Their Lordships will observe that the Porte now states that it is unable to devote the whole of the Cyprus surplus for 1879-80 (85,000*l.*) to the service of the Guaranteed Loan, as the proportion of that surplus belonging to the period subsequent to the conclusion of the Convention with the Administration of the Six Indirect Contributions forms part of the Cyprus revenues pledged under that Convention for the payment of interest on the general public debt, internal and external.

With the concurrence of the Board of Treasury, Earl Granville proposes to cause instructions to be prepared for the consideration of the Law Officers of the Crown, directing Her Majesty's Ambassador to remind the Porte of the notice which, under instructions from the Marquis of Salisbury, of which a copy is annexed, Sir Henry Layard gave to it with reference to the Convention in question, viz.: "that Her Majesty's Government hold themselves bound to pay the surplus of the Cyprus revenue to the Sultan, and to the Sultan only, and cannot accept or recognize the transfer to any other person of His Majesty's right to receive that payment; nor can they admit any liability, immediate or contingent, to pay it to any person except the Sultan, and any debt owing by the Porte to Her Majesty's Government must of necessity stand as a first charge against the said surplus;" and further to intimate to the Turkish Government that the other questions raised in Assim Pasha's note as to the amount at which the surplus is to be fixed, and the rate of exchange of the piastre, must stand over for discussion, and that, meanwhile, all payments on account of the Cyprus surplus will be suspended.

I am to request that you will inform the Board of Treasury that Lord Granville proposes, without waiting for the drawing up of these instructions, to approve Mr. Goschen's intention to press for the remittance of such portion of the surplus as may be now available.

I am to add that a copy of this letter will be sent to the Colonial Office.

I am, &c.
(Signed) TENTERDEN.

Inclosure in No. 148.

The Marquis of Salisbury to Sir A. H. Layard.

Foreign Office, December 23, 1879.

Sir,

I HAVE received your Excellency's despatch of the 25th ultimo, forwarding copies of a Decree issued by the Porte, and assigning an annual sum of £ T. 1,350,000 to the service of the Ottoman Public Debt.

Among the securities for the payment of this sum mentioned in Article 3 of the Decree, the annual revenue of the Island of Cyprus is mentioned as being ceded integrally to the holders of obligations for a period of ten years.

I must request your Excellency to inform the Porte with reference to this Decree that Her Majesty's Government hold themselves bound, under Article III of the Convention of the 4th June, 1878, to pay the surplus of the Cyprus revenue to the Sultan, and to the Sultan only, and that they cannot accept or recognize the transfer to any other person of His Majesty's right to receive this payment; nor can they admit any liability, immediate or contingent, to pay it to any person except the Sultan.

* No. 142.

Further, that any debt owing by the Porte to Her Majesty's Government must of necessity stand as a first charge against the said surplus.

I am, &c.
(Signed) SALISBURY.

No. 149.

Mr. Swaffield to Earl Granville.—(Received May 30.)

5, Queen Street Place, Upper Thames Street, London, May 25, 1881.

My Lord,

I SEE by the newspapers this morning that M. Valfrey is about to leave for Constantinople, on a mission for the great financial establishments in Paris, and, in the interests of Turkish bondholders, to confer with the Porte.

I am a holder of 50,000*l.* 6 per cent. Turkish Stock of 1865, a loan which was secured on the revenues of the sheep-tax. This, therefore, is a sufficient argument for my saying that I am deeply interested in the future of Turkish finance, but I entirely disapprove of steps being taken by certain sections of the bondholders at this juncture to come to terms with the Porte.

Under the provisions of the Treaty of Berlin we were warranted in expecting that an International Financial Commission would be appointed to deal with these matters, and I look to our Government to press for the appointment of such a Commission.

Those of us who hold loans which were specially guaranteed are in danger of having our rights set aside by groups of speculators who chiefly deal in the stock of the Turkish General Debt. I trust, therefore, that the British Government will take immediate steps to protect our interests, as far as possible, from the designs of those French Syndicates, in whom the English bondholders cannot feel any real confidence. I also hope that Lord Dufferin will receive special instructions to take in hand the financial question, in concert with the other Ambassadors, on his arrival at Constantinople.

I remain, &c.
(Signed) H. SWAFFIELD.

No. 150.

Earl Granville to Musurus Pasha.

Foreign Office, May 31, 1881.

M. l'Ambassadeur,

I HAVE the honour to acknowledge the receipt of your Excellency's letter of the 24th instant, relative to the amount of the surplus revenue of Cyprus payable to the Sultan for the year 1879-80, and to assure you that your communication shall be considered by Her Majesty's Government.

I am, &c.
(Signed) GRANVILLE.

No. 151.

Lord Tenterden to Mr. Herbert.

Foreign Office, June 2, 1881.

Sir,

I HAVE laid before Earl Granville your letter of the 18th ultimo, inclosing a despatch from the High Commissioner of Cyprus on the subject of the "Roosoomat" taxes, and asking whether it would, in Lord Granville's opinion, be expedient to re-open the discussion as to the amount of the Cyprus surplus, with a view of obtaining a reduction to the amount of these taxes, on the ground that by an Iradé of 1877 they properly belong to the Municipalities and not to the Administration of the island.

I am directed by his Lordship to state to you, in reply, that he considers that it would be unadvisable to ask the Porte at the present moment to agree to a reduction of

the surplus on account of these taxes. The Porte, as the Earl of Kimberley is aware from Mr. Goschen's despatch No. 374 of the 10th ultimo, and Musurus Pasha's note of the 24th ultimo, have recently stated that they did not accept the sum of 85,000*l.* (being the equivalent at 120 piastres to the Turkish pound of the sum fixed by Sir R. Biddulph) as payment in full of the surplus. It would therefore seem to be desirable, in view of an eventual discussion of the question, to reserve the claim on account of the "Roosoomat" taxes, to be used as a set-off against the claims which the Ottoman Government will put forward.

It would moreover, in his Lordship's opinion, be expedient to adjourn any discussion as to the amount of the surplus until the communication to the Porte proposed in my letter to the Treasury of the 27th ultimo (of which a copy has been forwarded to you) has been made. If it is decided that the surplus should be retained by Her Majesty's Government to meet the charges on account of the 1855 Loan, the question of its amount will be a matter of comparatively small importance to the Porte, and will be more easily settled on a fair and equitable basis.

I am, &c.
(Signed) TENTERDEN.

No. 152.

Lord Tenterden to Mr. H. Gaëdalla.

Foreign Office, June 2, 1881.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 4th ultimo, relative to the proportion of the Turkish debt to be borne by Greece for the territory to be ceded to her by the Porte, and suggesting means for facilitating a settlement of the financial difficulties of Turkey and the claims of the bondholders.

I am to state to you that the recommendations contained in your letter will be borne in mind and considered when the question of the finances of Turkey comes under the discussion of the Powers.

I am, &c.
(Signed) TENTERDEN.

No. 153.

Lord F. Cavendish to Lord Tenterden.—(Received June 6.)

Treasury Chambers, June 4, 1881.

My Lord,

I HAVE laid before the Lords Commissioners of Her Majesty's Treasury your Lordship's letter of the 27th ultimo, and its accompanying inclosure, relating to the negotiations which have been in course of progress between Mr. Goschen and the Porte for the application of the surplus revenue of the Island of Cyprus for 1879-80 towards the payment of the arrears due in respect of the Ottoman Guaranteed Loan of 1855.

In reply, I am to state that my Lords concur in the course which Earl Granville proposes to adopt, viz., (1) to cause instructions to be prepared for the consideration of the Law Officers of the Crown directing Her Majesty's Ambassador at Constantinople to remind the Porte of the notice which was conveyed to it in Lord Salisbury's letter of the 23rd December, 1879 (with reference to Article III of the Convention of the 4th June, 1878), the terms whereof are fully set forth in that letter; and (2) to intimate to the Turkish Government that the question of the amount at which the surplus revenue is to be fixed and the rate of exchange of the piastre must stand over for discussion hereafter, and that meanwhile all payments on account of the surplus will be suspended.

I am to add that my Lords would be glad if the Secretary of State would cause the necessary steps to be taken for giving effect to the foregoing proposals as speedily as possible.

I have, &c.
(Signed) F. CAVENDISH.

No. 154.

Lord F. Cavendish to Lord Tenterden.—(Received June 6.)

Treasury Chambers, June 4, 1881.

My Lord,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to acknowledge the receipt of your letter of the 30th ultimo, covering copy of a letter from the Turkish Ambassador, who states that the sum of 85,000*l.* does not represent the whole surplus revenue of Cyprus, and that the Turkish Minister can only accept it under reserve and on account.

My Lords understand that the Porte proposed, of its own free will, to accept payment of the surplus at the rate of 120 piastres to the Turkish pound for the year 1879-80 in full satisfaction of the obligation of Her Majesty's Government.

If my Lords are correct upon this point, it would appear that the Porte is now receding from its own proposal, and if that be so, they presume that Lord Granville will not hold out any hopes of meeting his Excellency's request that the affair may be definitely adjusted between the Administration of Cyprus and the Ministry of Finance at Constantinople.

I have, &c.
(Signed) F. CAVENDISH.

No. 155.

Lord Tenterden to Mr. Meade.

Foreign Office, June 6, 1881.

Sir,

I HAVE laid before Earl Granville your letter of the 25th ultimo, calling attention to certain passages in Sir R. Biddulph's correspondence respecting the payment of the 1879-80 Cyprus surplus to the Porte, and suggesting that if the sum of 52,538*l.* tendered to the Ottoman Government in April 1880 is now remitted to the Bank of England, the Ottoman Bank may be unfairly deprived of a security on which it has made advances to the Turkish Government.

I am directed by his lordship to state to you, in reply, for the information of the Earl of Kimberley, that the course which should in his opinion be adopted, with a view of protecting the interests of Her Majesty's Government without infringing on those of the Ottoman Bank, would be, that Sir R. Biddulph should be instructed to retain for the present in the hands of the Cyprus Government the balance of the 1879-80 surplus; that the 52,538*l.* tendered in April 1880 should be left as hitherto, at the order of the Bank, and that meanwhile Her Majesty's Chargé d'Affaires at Constantinople should continue to press the Porte to give effect to the arrangement proposed by it, and agreed to by Her Majesty's Government, under which the surplus for 1879-80 was to be fixed at 85,000*l.* and applied to the 1855 Loan.

I am, &c.
(Signed) TENTERDEN.

No. 156.

Lord Tenterden to Mr. Swaffield.

Foreign Office, June 7, 1881.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 25th ultimo relative to the question of the appointment of an International Financial Commission for Turkey, and to state that a copy will be communicated to Her Majesty's Ambassador at Constantinople.

I am, &c.
(Signed) TENTERDEN.

No. 157.

Lord F. Cavendish to Lord Tenterden.—(Received June 11.)

Treasury Chambers, June 10, 1881.

My Lord,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to acquaint you, for the information of the Secretary of State, that they understand Mr. Goschen's letter of the 29th April (No. 330) to raise three points:—

1. Whether he is to claim the whole sum of 142,754*l.* due by the Turkish Government on account of the Guaranteed Loan.

2. Whether it would not be better to settle in the first instance the arrears up to the close of last year only.

3. Whether from time to time, as each fresh default occurred, a continuous account of the whole amount in default has been presented to the Turkish Government.

My Lords gather from your letter of the 21st instant that the third point has been disposed of. As regards the two remaining points, they do not see that there is any line of demarcation between the default as existing on the 31st December and now, and they therefore have assumed that the whole debt due to the Guaranteeing Governments should be presented and claimed; but they most readily defer to Mr. Goschen's judgment as to the best method of prosecuting the demand, and they would therefore leave it to him to act in the manner which he considers fittest to secure the object in view.

I have, &c.
(Signed) F. CAVENDISH.

No. 158.

Sir J. Pauncefote to the Law Officers of the Crown and Dr. Deane.

Foreign Office, June 15, 1881.

Gentlemen,

WITH reference to your Report of the 6th January last relative to the question of the retention by Her Majesty's Government of so much of the surplus revenue of Cyprus as might be sufficient to satisfy the arrears due by the Ottoman Government to the Porte on account of the 1855 Loan, I am directed by Earl Granville to lay before you the accompanying correspondence on the subject which has taken place since the date of your Report.*

This correspondence refers, as you will observe, to two distinct points:—

1. The offer made by the Porte, and accepted by Her Majesty's Government, to apply the surplus revenue of Cyprus for 1879-80 to the 1855 Loan, on the understanding that the surplus for that year was to be converted at the rate of 120 piastres to the Turkish pound; and

2. To the question of the appropriation in subsequent years of the surplus, or of such portion of it as may be required, to the payment of the arrears and interest due on the loan.

The communication suggested in your letter calling upon the Porte to give the Guaranteeing Governments the benefit of the special security to which they are entitled under Article III of the Convention of 1855, by which the customs of Smyrna were specially charged with the interest and sinking fund of the loan, has been made by the British and French Ambassadors. No reply to this communication has been received from the Porte.

I am to call your special attention to Mr. Goschen's despatch No. 374 of the 10th May, and to the note from the Porte inclosed in it; to the letter to the Treasury of the 27th May, and to their reply of the 4th June; and I am to request you to take into your consideration the annexed draft of a despatch† which Lord Granville proposes

* To Treasury, January 15; Treasury, February 16; to Colonial Office, February 21; Colonial Office, March 3; to Mr. Goschen, Nos. 147 and 148, March 3; to Lord Lyons, Nos. 224 and 225, March 3; to Musurus Pasha, March 10; Lord Lyons, No. 231, March 10; ditto, No. 330, April 1; to ditto, No. 341, April 11; to Mr. Goschen, No. 257, April 6; Colonial Office, April 16; Mr. Goschen, No. 285, April 12; Treasury, April 16; Lord Lyons, No. 365, April 19; to ditto, No. 365, April 20; Treasury, April 21; to ditto, May 2; Mr. Goschen, No. 330, April 29; to ditto, No. 381, May 21; to Treasury, May 21; Mr. Goschen, No. 374, May 10; to Treasury, May 27; Musurus Pasha, May 24; Colonial Office, May 25; to Musurus Pasha, May 31; to Colonial Office, June 6; Treasury, June 4, 1881.

† See No. 175.

to address to Her Majesty's Ambassador at Constantinople, instructing him to call the attention of the Porte to Lord Salisbury's despatch of the 23rd December, 1879, and to inform them that Her Majesty's Government do not recognize the assignment of the Cyprus revenue to the Administration of the Six Contributions, and that in order to maintain the prior claim of the Guaranteeing Governments, they have decided to instruct the High Commissioner of Cyprus to suspend any further payments on account of the surplus revenue.

Lord Granville would be glad to be informed, at your early convenience, whether you concur in the terms of this draft.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 159.

Mr. Herbert to Lord Tenterden.—(Received June 16.)

Downing Street, June 15, 1881.

Sir,

I AM directed by the Secretary of State for the Colonies to transmit to you, with reference to previous correspondence, for the information of Earl Granville, a copy of a despatch from Her Majesty's High Commissioner in Cyprus, showing the sums remitted to Constantinople during the three years preceding the British Administration.

I am, &c.
(Signed) ROBERT G. W. HERBERT.

Inclosure 1 in No. 159.

Sir R. Biddulph to the Earl of Kimberley.

Nicosia, Cyprus, May 28, 1881.

My Lord,

REFERRING to previous correspondence on the subject of the annual payment to the Porte and its conversion into gold, I have the honour to transmit a tabular statement showing the sums remitted from Cyprus to the Imperial Treasury at Constantinople during each month of the last three years before the British occupation.

This Table confirms the statement made in paragraph 9 of my despatch of the 11th December last, that the bulk of the remittances used to take place during the latter part of the financial year.

I have, &c.
(Signed) ROB. BIDDULPH.

Inclosure 2 in No. 159.

STATEMENT of Monthly Remittances made to Imperial Treasury from Cyprus Revenues during the Years 1875 to 1878.

Months (old style).	1875–76.	1876–77.	1877–78.
March	198,179	375	161,658
April	1,106,479	1,837,895	262,941
May	315,917	558,317	334,517
June	685,904	509,271	663,245
July	117,976	708,584	1,298,691
August	2,359,543	24,879	1,068,355
September	2,187,210	220,090	271,163
October	1,398,752	175	248,082
November	709,367	92,780	310,571
December	2,086,935	1,415,400	1,008,814
January	4,116,740	615,000	480,161
February	1,729,048	5,202,175	3,598,118
Totals	17,157,968	11,975,119	9,050,737

No. 160.

Lord Lyons to Earl Granville.—(Received June 17.)

(No. 596.) *Paris, June 16, 1881.*

My Lord,

WITH reference to my despatch No. 538 of the 30th ultimo, I have the honour to inform your Lordship that M. Valpey, having come back from London, called upon me this morning.

He said he had come to a satisfactory understanding with the English holders of Turkish stock, and that he should set out in a few days for Berlin and Vienna, and should ultimately go on to Rome.

He expressed gratitude for the kind manner in which he had been received in London by Sir Charles Dilke.

I have, &c.
(Signed) LYONS.

No. 161.

Mr. Herbert to Lord Tenterden.—(Received June 17.)

Downing Street, June 17, 1881.

My Lord,

I AM directed by the Earl of Kimberley to transmit to you, to be laid before Earl Granville, a copy of a despatch from Her Majesty's High Commissioner in Cyprus respecting the repayment of that part of the forced loan of 1877 which was raised among the Turkish officials of Cyprus.

Lord Kimberley desires me to state that he would be obliged if Lord Granville would instruct Her Majesty's Ambassador at Constantinople to renew the application made to the Porte by Mr. Malet on the 12th April, 1880 (see p. 189 of "Cyprus Correspondence, 1878-79," Part I: Foreign Office, 1880), for its concurrence in the repayment by the Government of Cyprus of the sums taken from the officials of the island, the amount being charged against the annual tribute, and to request that the receipts and coupons mentioned by Sir R. Biddulph may be furnished to the Island Government for this purpose.

Should Her Majesty's Ambassador fail to obtain the consent of the Porte to this arrangement within a reasonable time, Lord Kimberley proposes, with Lord Granville's concurrence, to instruct Sir R. Biddulph to commence repaying such of the old Turkish officials as are still in Cyprus by instalments of 15 per cent. per annum, and his Lordship would further suggest that in that event the Porte should be informed that Her Majesty's Government will reserve the right to deduct such payments from the tribute.

I am, &c.
(Signed) ROBERT G. W. HERBERT.

Inclosure in No. 161.

Sir R. Biddulph to the Earl of Kimberley.

Nicosia, May 21, 1881.

My Lord,

I RECEIVE from time to time petitions from persons who were employed in Cyprus under the late Government asking that they may be reimbursed the amount of the forced loan contributed by them in 1877. The particulars of this loan were described in the Memorandum inclosed in Sir Garnet Wolseley's despatch No. 152 of the 29th November, 1878, and it was subsequently arranged to pay off that portion of it that was derived from extra "vergbi."

2. The persons who now petition me are those described under classes 3 and 4 of the Memorandum above referred to, and the difficulty as to their repayment lies in the fact that the proper receipts, with coupons attached, were never sent from Constantinople. Had they been issued I should be able to accept these coupons in payment of taxes and to deduct the amount from the annual payment made to Turkey.

3. I beg to suggest that an arrangement be made with the Porte whereby we should furnish them with a certified statement of the sums due to the persons in

question, and that we should undertake the repayment on the same terms as was done with those who contributed extra vergbi. The total amount involved is about 200,000 piastres, which, at 15 per cent. until extinguished, would represent an annual deduction of about 30,000 piastres, say 250*l.*; but it would doubtless be diminished by the fact of many of the superior officials having quitted Cyprus at the time of the occupation.

I have, &c.
(Signed) ROBT. BIDDULPH.

No. 162.

Mr. Herbert to Lord Tenterden.—(Received June 18.)

Downing Street, June 18, 1881.

Sir,

I AM directed by the Earl of Kimberley to acknowledge the receipt of your letters of the 30th and 31st May and 6th instant, on the subject of the payment to the Porte of the Cyprus tribute for 1879-80.

2. Lord Kimberley understands that the offer of 85,000*l.* made by Her Majesty's Government to the Porte, which the Porte declines to accept except on account, is intended to represent the sterling equivalent of the tribute of 11,092,377 piastres, due under the Convention of June 1878, and that a further sum of 5,000*l.* sterling is due under the Supplementary Convention of February 1879, relating to lands.

3. In the absence of further explanations, it is not clear whether the objection of the Porte to accept the offer of 85,000*l.* is based on the erroneous assumption that it is intended to include the 5,000*l.* for lands, in which case it would be clearly insufficient, or whether the Porte understands that the sum of 85,000*l.* is only intended to cover the 1878 tribute, and objects to receive it as payment in full on the ground that Sir R. Biddulph's calculation of the surplus is incorrect.

4. With regard to the payments for future years, the calculation of which it is proposed to base upon the average value of the piastre for the five years preceding the British occupation, I am to take this opportunity of communicating to you a copy of a despatch from Sir R. Biddulph on the subject, from which it would appear that the average value was 108·10 to the £T.

5. Sir R. Biddulph's observations on the other question referred to him by the Treasury, viz., whether he had made allowance for the fact that the taxes of the autumn of 1876 were received generally in coins, are not sufficiently explicit to enable Her Majesty's Government to arrive at a decision on the subject; and as Sir R. Biddulph will visit England next month on a short leave, Lord Kimberley would suggest that the further consideration of the question might be deferred until his arrival, and that a conference should be then held between him and the representatives of the Departments interested, with a view to further considering the proposals to be made to the Porte for the liquidation of the obligations of Cyprus.

I am, &c.
(Signed) ROBERT G. W. HERBERT.

Inclosure 1 in No. 162.

Sir R. Biddulph to the Earl of Kimberley.

Nicosia, May 11, 1881.

My Lord,

I HAVE obtained from the Imperial Ottoman Bank at Constantinople the information required by paragraph 3 of your Lordship's despatch of the 3rd March, 1881, and I transmit a list of all the quotations of "métallique" obtainable between 1st March, 1873, and 1st March, 1878. The average of this list gives 108$^{13}/_{16}$ métallique piastres per £T.

2. It will perhaps occur to your Lordship that the number of quotations per month is not absolutely uniform, and that therefore an average taken from the list is not a thoroughly unimpeachable average, especially since the list shows that the value of the £T. ranged from 102$^{1}/_{2}$ to 120 métallique piastres; but an average taken by myself at Constantinople in 1879 of the value of the £T. on the 1st of each month, from 1st March, 1873, to the 1st February, 1878, gave almost exactly the same average, viz., 108$^{5}/_{8}$ per £T. It would, however, have been more correct to have taken the

average up to the last day of February (o.s.) 1878, which would have brought the exchange a little lower.

3. On this subject, however, I beg to refer to paragraphs 8 and 9 of my despatch of 15th December, 1880, and I submit that it would be more fair to Cyprus to take the value on the last day of each of the five financial years 1873-77. This view was apparently adopted by the Imperial Ottoman Bank, when they were trying last year to negotiate on behalf of the Porte, as may be seen by reference to Mr. Foster's letter of 1st July, 1880, inclosed in my despatch of 19th July, 1880, wherein he states: "The average price for métallique for the five years ending March, 1878, is 110." My own calculations make it to be 110$\frac{7}{10}$, but we might fairly agree to take it at 110. As I observe that the Treasury letter of 16th February, 1881, quotes the letter from the Ottoman Bank to me dated 24th May, 1880, I would mention that that letter made a serious error in taking for the average the value of métallique on the first day of each of the financial years 1873-77. I pointed out this error to Mr. Foster in a letter dated 17th June, and it was in acknowledgment of that letter that he wrote to me on the 1st July, as above quoted, admitting that it should properly be 110.

4. There remains the further question put to me in the last paragraph of your Lordship's despatch of 3rd March last, viz.: "whether, in fixing the amount of the payment in métallique piastres, I made allowance for the fact that the taxes of the autumn of 1876 were received generally in caimé."

The Treasury letter of 16th February last draws attention to my despatch of 24th June, 1879, in which it is stated that I had reduced the value of the tithes of 1877 to métallique value. The excise duties of 1877 ought also to have been similarly reduced, but this was the item I alluded to as having yielded in paragraph 20 of that despatch.

5. It was not possible, however, in fixing the number of piastres payable, to make allowance for the additional number received on account of the depreciation of the caimé, as shown in paragraphs 2 and 3 of my despatch of 7th June, 1880, quoted in the Treasury letter of 16th February last. I am of opinion that it is impossible to estimate the number of additional piastres which thus swelled the apparent receipts from the 1st November, 1876, to the 12th March, 1878; but I think it would be quite just to take it into account in converting the value into gold, because it may be argued that we are entitled to take the gold value of the currency actually received. Thus, the financial year 1877-78 shows receipts of caimé as follows:—

	Piastres.
Verghi	3,352,777
Military exemption	1,257,278
Sheep tax	1,352,811
Excise on tobacco	1,005,044
,, wines	736,869
Total	7,704,779

I omit tithes, as they were converted into métallique, and customs and miscellaneous, because they were not received in caimé. The comparison of the above items, however, with the receipts under the same heads for former years, as laid down in the Table of General Receipts attached to my despatch of 24th June, 1879, will show that my contention as to the increased number of piastres paid in during the caimé period is correct.

6. I have not here the market quotations of caimé for that period, but from the date of its issue it fell steadily. I have by me the quotations of caimé at Constantinople for each day in the month of November in the years 1876-77 and 1878. They give an average value as follows:—

	To £T.
November 1876 (1st issue)	119$\frac{3}{4}$
,, 1877	198$\frac{9}{10}$
,, 1878	310$\frac{1}{4}$

If the 7,704,779 caimé piastres received in 1877 were reduced to gold at their true value, it would make a very considerable difference. Taking at 200, instead of 110, to the £T., it would make that sum about £T. 38,500 instead of £T. 70,000, which, spread over five years, would diminish the average receipts by £T. 6,300. If the caimé received during the eighteen months ending 12th March, 1878, were converted into gold at its market value, it would reduce the annual payment below the value which was suggested in my despatch of 17th December, 1879; viz., £T. 84,000.

I have, &c.
(Signed) ROB. BIDDULPH.

Inclosure 2 in No. 162.

RATES of Exchange at Constantinople between métallique piastres and the Turkish pound (£T.) at 100, from March $\frac{1}{13}$, 1873, to March $\frac{1}{13}$, 1878.

Date.	Rate.	Date.	Rate.	Date.	Rate.
1873—		1874—		1876—	
Mar. $\frac{1}{13}$ ..	103·10	Dec. 31 ..	104·35	Aug. 31 ..	107·10
Apr. 3 ..	103	1875—		Sept. 6 ..	106·30
May 1 ..	102·30	Jan. 7 ..	105	,, 14 ..	108·10
,, 15 ..	102·15	,, 21 ..	104·35	,, 21 ..	108·20
,, 28 ..	103·20	Feb. 4 ..	105	,, 27 ..	108
June 12 ..	103·35	,, 11 ..	105·15	Oct. 5 ..	108·20
,, 26 ..	102·05	Mar. 4 ..	105·35	,, 12 ..	108·10
July 3 ..	101·35	,, 11 ..	105·20	,, 18 ..	108·10
,, 10 ..	103·10	,, 18 ..	105·05	,, 26 ..	108·20
,, 24 ..	105	,, 25 ..	105	Nov. 2 ..	108·30*
,, 31 ..	105·35	Apr. 1 ..	105·25	,, 9 ..	110
Aug. 7 ..	104·10	,, 8 ..	104·25	,, 16 ..	112·10
,, 14 ..	104·20	,, 15 ..	105	,, 23 ..	113
,, 21 ..	104	,, 21 ..	105	Dec. 7 ..	111·10
,, 28 ..	103·20	,, 29 ..	104·30	,, 21 ..	110
Sept. 5 ..	103·22	May 13 ..	104·25	,, 28 ..	110·30
,, 4 ..	103·20	,, 26 ..	104·25	1877—	
,, 11 ..	103·02	June 2 ..	104·30	Jan. 4 ..	110·30
,, 18 ..	103·15	,, 10 ..	105·05	,, 11 ..	111·30
,, 25 ..	103·30	,, 17 ..	105·10	,, 17 ..	113
Oct. 8 ..	104·05	,, 24 ..	105	,, 25 ..	113
,, 16 ..	104·20	July 1 ..	105·04	Feb. 1 ..	112·20
,, 23 ..	104·28	,, 8 ..	105·10	,, 8 ..	112
,, 30 ..	104·10	,, 15 ..	105·15	Mar. 1 ..	113·10
Nov. 6 ..	104·10	,, 22 ..	105·30	,, 15 ..	113·20
,, 13 ..	104·20	,, 29 ..	105·30	,, 22 ..	113·20
,, 27 ..	104·10	Aug. 5 ..	105·20	,, 29 ..	113·10
Dec. 4 ..	104·25	,, 19 ..	105·30	Apr. 12 ..	113
,, 11 ..	104·35	,, 26 ..	105·35	,, 26 ..	114
,, 24 ..	105·05	Sept. 9 ..	105·15	May 9 ..	118
1874—		,, 16 ..	105·20	,, 24 ..	116
Jan. 8 ..	104·10	,, 23 ..	105·20	June 7 ..	116
,, 22 ..	104·30	,, 30 ..	105·20	,, 14 ..	116
Feb. 5 ..	105·05	Oct. 7 ..	105·25	,, 21 ..	116
,, 19 ..	106·35	,, 14 ..	105·20	July 5 ..	116·20
,, 26 ..	105·15	,, 21 ..	105·30	,, 12 ..	116
Mar. 5 ..	105·10	,, 28 ..	106	,, 19 ..	116·20
,, 26 ..	104·30	Nov. 4 ..	106	,, 25 ..	116·20
Apr. 2 ..	104·30	,, 11 ..	106	,, 26 ..	116
,, 16 ..	104·20	,, 18 ..	106·10	Aug. 2 ..	116
,, 23 ..	104·10	,, 25 ..	106·15	,, 9 ..	116
,, 30 ..	104·15	Dec. 2 ..	106·20	,, 16 ..	115·20
May 7 ..	104·25	,, 9 ..	106·20	,, 23 ..	116
,, 28 ..	105·30	,, 16 ..	106·30	,, 30 ..	117
June 1 ..	105·30	,, 30 ..	108	Sept. 6 ..	116
,, 11 ..	104·28	1876—		,, 13 ..	115·20
,, 18 ..	105·25	Jan. 5 ..	108	,, 19 ..	116·20
,, 25 ..	106·27	,, 12 ..	108·05	,, 27 ..	116
July 9 ..	105·25	,, 27 ..	108·10	Oct. 4 ..	115·20
,, 23 ..	105·05	Feb. 3 ..	108·15	,, 11 ..	116
Aug. 6 ..	105·20	,, 10 ..	107·30	,, 18 ..	116
,, 13 ..	105	,, 17 ..	107	,, 24 ..	116
,, 20 ..	104·35	,, 24 ..	106	,, 31 ..	117
,, 26 ..	104·20	Mar. 2 ..	106·30	Nov. 7 ..	117
Sept. 3 ..	104·25	,, 16 ..	106·15	,, 14 ..	117
,, 10 ..	104·30	,, 30 ..	106·20	,, 21 ..	118
,, 17 ..	105	Apr. 5 ..	106·20	,, 28 ..	118
,, 24 ..	104·37	,, 12 ..	106·28	Dec. 5 ..	118
,, 30 ..	104·20	,, 27 ..	107	,, 12 ..	118
Oct. 1 ..	104·30	May 4 ..	107	,, 26 ..	120
,, 8 ..	104·30	,, 18 ..	108·05	1878—	
,, 15 ..	104·25	,, 24 ..	106·05	Jan. 2 ..	119
,, 22 ..	104·25	June 8 ..	108·10	,, 23 ..	119
,, 29 ..	104·30	,, 14 ..	107·35	Feb. 6 ..	119
Nov. 5 ..	104·30	,, 22 ..	108·05	,, 13 ..	119
,, 12 ..	104·20	,, 29 ..	107·20	,, 20 ..	120
,, 19 ..	104·10	July 6 ..	108·10	Mar. 6 ..	119
,, 26 ..	104·20	,, 20 ..	108	,, 13 ..	120
Dec. 3 ..	104·25	,, 27 ..	107·20		
,, 10 ..	104·35	Aug. 3 ..	107·30	Average ..	108·10
,, 17 ..	104·35	,, 17 ..	107·05		
,, 24 ..	104·30	,, 24 ..	107·15		

* Caimé issued in November 1876; métallique rapidly fell.

No. 163.

Sir J. Paunceforte to Lord F. Cavendish.

My Lord, *Foreign Office, June 20, 1881.*

WITH reference to your letter of the 4th instant, relative to the communication made to Earl Granville by Musurus Pasha, to the effect that the sum of 85,000*l.* does not represent the whole surplus revenue of Cyprus, and that the Porte can only accept it under reserve and on account, I am directed by his Lordship to request that you will state to the Lords Commissioners of Her Majesty's Treasury that he does not understand the objection of the Porte to refer to the rate of the conversion of the piastre, but to deduction from the sum fixed as the annual surplus of the items (amounting in all to 1,375,821 piastres) in the 10th, 11th, and 12th paragraphs of your letter of the 16th February.

This point will be dealt with in the instructions to Her Majesty's Ambassador at Constantinople suggested in the letter from this Department of the 27th ultimo, which have already obtained the concurrence of the Board of Treasury, and will be submitted to the Law Officers without delay.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 164.

Mr. Bramston to Lord Tenterden.—(Received June 23.)

My Lord, *Downing Street, June 22, 1881.*

I AM directed by the Earl of Kimberley to acknowledge the receipt of your letter of the 2nd instant, stating that Earl Granville was of opinion that it would be unadvisable at the present moment to ask the Porte to agree to a reduction of the Cyprus tribute on account of the Roosoomat taxes, which were handed over to the Municipalities by an Iradé of 1877.

Lord Kimberley desires me to state, in reply to your letter, that he concurs in Lord Granville's opinion that, in view of an eventual discussion of the question of the amount of the tribute, it is desirable to reserve the claim on account of the Roosoomat taxes to be used as a set-off against the claims which the Ottoman Government may put forward.

I am to refer you, in connection with this question, to the letter from this Office of the 18th instant, and to observe that it will be for Lord Granville to consider whether any further communication to the Porte on this particular question should not be deferred until Her Majesty's Government are in a position to state their views generally on the future payments of the Cyprus tribute.

I am, &c.
(Signed) JOHN BRAMSTON.

No. 165.

Lord Tenterden to Mr. Herbert.

Sir, *Foreign Office, June 24, 1881.*

I HAVE laid before Earl Granville your letter of the 18th instant, relative to the payment to the Porte of the surplus revenue of Cyprus for 1879-80, and I am directed by his Lordship to request you to inform the Earl of Kimberley that he concurs in the suggestion that the further consideration of the question should be deferred until Sir R. Biddulph's arrival in London.

I am, &c.
(Signed) TENTERDEN.

No. 166.

Earl Granville to the Earl of Dufferin.

(No. 383.)
(Telegraphic.) *Foreign Office, June 28, 1881, 4·25 P.M.*

WHEN may we expect Porte's reply to note addressed to it by Mr. Goschen, April 30, as to appropriation of customs of Smyrna and Syria to service of 1855 Loan?

No. 166*.

The Earl of Dufferin to Earl Granville.—(Received June 27.)

(No. 496.)
My Lord, *Constantinople, June 19, 1881.*

I HAVE the honour to transmit herewith to your Lordship a copy of a letter which I have received from certain gentlemen here having claims on the Imperial Ottoman Government, in which it is proposed that the surplus revenues of Cyprus should not be handed over to the Ottoman Government until their claims are settled.

I have merely acknowledged the receipt of this letter, and informed these gentlemen that I have referred it to your Lordship; but I shall be glad if you will give me instructions as to the terms in which I should reply to it.

I have, &c.
(Signed) DUFFERIN.

Inclosure in No. 166*.

Messrs. Tait, Cuppa frères, &c., to Mr. Plunkett.

Sir, *Constantinople, June 13, 1881.*

WE, the undersigned British subjects, to whom the Turkish Government owes various sums of money on account of work done, goods supplied, and services rendered under contract with the Government, and whose claims are, unfortunately, too well known at Her Majesty's Embassy, beg to ask your assistance under the following circumstances:—

It is asserted in the local papers that propositions are under the consideration of the Turkish Government for the reorganization of the Turkish finance in such a way as to pay a certain amount of interest to the bondholders, and such newspapers agree that among the revenues of the Empire which are to be surrendered by the Ottoman Government to the bondholders is that part of the revenue of Cyprus which, under a Treaty between Her Majesty and His Majesty the Sultan, is to be paid to the Porte.

We respectfully submit that Her Majesty's Government should not consent to any transfer of the revenues of Cyprus until our claims against the Ottoman Government have been paid or satisfactorily provided for. In each case these claims are liquidated and admitted; and while some of the other creditors of the Porte, belonging to other nationalities and with similar claims, have been paid, all the efforts of Her Majesty's Ambassador have hitherto failed to obtain from the Porte a just settlement. We venture to think these private claims ought to take precedence over any claims for the payment of the Public Debt; for while in the latter there has been a considerable amount of speculation, in the former there has been nothing but an ordinary contract, submitted in each case to public competition, for the payment of materials supplied and work done. Should the Imperial Ottoman Government delay any longer the settlement of our just claims, we may be compelled, through our Courts of Law, to put an attachment upon the sums which Her Majesty's Government has to pay from the Cyprus revenue to the Porte. If, therefore, Her Majesty's Government should consent to the proposed transfer, one of the easiest means of obtaining satisfaction for our claims may be taken away from us.

We therefore respectfully protest against any arrangement being made by which any portion of the Cyprus revenue may be transferred from the Porte to any person or body of persons until the debts due to us by the Imperial Ottoman Government have been paid or satisfactorily provided for.

(Signed) P. TAIT.
G. & S. CUPPA, Frères.
N. DUSSI, *representing Mr. Math. Dussi, Vice-Consul of Her Majesty at Rodosto.*
GUARRACINO, Bros. (*in liquidation*).

No. 167.

Mr. Guedalla to Earl Granville.—(Received June 29.)

My Lord, 12, *Talbot Square, Hyde Park, June 27*, 1881.

HEARING from authentic sources at Constantinople that the Turkish Government objects to hand over to its bondholders the annual tribute it will have to receive from Greece for the territory just ceded to her, entailing from past precedents the assumption of a proportionate part of the Turkish Debt, allow me to urge on your Lordship to instruct Lord Dufferin to use his best efforts to protect our interests when the amount is adjusted.

I have, &c.

(Signed) H. GUEDALLA, *Chairman, English Committee 5 per cent. General Debt of Turkey*, 1865–73.

P.S.—I beg leave to incloso copy of project for settlement of Turkish Debt originated by his Excellency Musurus Pasha, with my observations thereon.

H. G.

Inclosure in No. 167.

Project for Settlement of Turkish Debt.

THE following project, of which the text is given below, has been definitely approved by the Porte and by his Imperial Majesty the Sultan, and Musurus Pasha, the Ottoman Ambassador in England, with whom it originated, being directly authorized to bring it to the notice of the heads of the bondholders, communicated the several articles to myself amongst others, and I have to express my qualified approval of same, and hope the bondholders will avail themselves of its provisions, as it is a tangible proof of the earnest determination of the Sultan to do the best in his power, and at once, for the unfortunate creditors.

Caution against Shoals.

I caution the latter to beware of the scheme of a French Syndicate which proposes to take over the tobacco and other indirect revenues, promises its proportion to the Ottoman Bank and a large share to the Porte, after which it proposes only to give one-half per cent. per annum to the bondholders, reserving all the profits and advantages of the transaction for the Company. At the end of fourteen years the bondholders may hope for another half per cent. The Sultan, however, had from the first determined to make over the various securities undermentioned, for the benefit of the bondholders, not to companies and third parties, but to the bondholders themselves, so that they may derive the fullest benefit from the transaction.

Project—June, 1881.

"1. The Imperial Government would make over to the agents named for that purpose by the bondholders the administration, the receipt, and the custody of the revenues of the stamp, tobacco, and salt taxes, and the other taxes mentioned in the Note of the Sublime Porte of the 3rd October, 1880, on condition that out of the net produce of these revenues the annual sum of £T. 1,100,000 should be paid to the Imperial Ottoman Bank and the bankers at Constantinople, who were parties to the Convention of the $\frac{\text{10th}}{\text{22nd}}$ November, 1879.

"2. These agents, whom the bondholders would choose from among European specialists, and who would be entrusted with the entire administration of the above-mentioned revenues, would be considered as functionaries of the Imperial Government, and would exercise their functions in virtue of Imperial ordinances. They would have a right to the co-operation and assistance of the Imperial authorities, as though they themselves formed part of the administration of the Empire. They would propose to the Imperial Government the regulations which they would consider necessary either to prevent frauds and contraband, or to modify the basis and mode of collection of the above-named revenues in the interest of the Imperial Treasury.

"3. The superintendence by the State of the administration of the said revenues would be exercised by means of controllers named by the Sublime Porte, who would

have the right of examining the books, and of being kept informed of all the details but without having the right of interference in the administration.

"4. The outstanding amount of the different loans would be reduced to the price of issue mentioned in their respective contracts, and interest at 4 per cent. per annum would be paid on the amount of each loan so reduced. The Treasury bonds and General Debt, likewise reduced to their price of issue, would be equally entitled to interest at 4 per cent. per annum. The same principle would be applied to the obligations of the railways of European Turkey.

"5. The net produce of the said revenues, after deducting all the expenses of administration, and after paying the above-mentioned sum of £T. 1,100,000, would be added to the tribute of Bulgaria and the revenues of Eastern Roumelia and Cyprus, and applied in payment of the interest of the different loans of the Treasury bonds, of the General Debt, and of the railway obligations, and would be remitted for that purpose to the Bank of England and the Bank of France, either directly by the administrating agents or through a bank chosen by them.

"6. If, in the first years of the administration, the net available produce of the said revenues, together with the tribute of Bulgaria, and the revenues of Eastern Roumelia and Cyprus, did not suffice to pay the whole of the annual interest of 4 per cent. on the Exterior Debt of the Empire reduced to the price of issue, these several sums would be divided *pro rata* between the bondholders, according to the amount of each loan or part of the Exterior Debt, without distinction. But the sum necessary to complete the amount of the interest of these first years would be taken from the surplus of subsequent years.

"7. When the receipts of the subsequent years should exceed the sum required for the complete payment of the interest, the surplus would be paid into the Imperial Treasury.

"8. With regard to the arrears of interest from the year 1876 until the day when the application for the proposed arrangement should commence they would be calculated at the rate of 4 per cent. on the price of issue, and the amount of them would be represented by obligations bearing 4 per cent. interest; but this interest would not begin to be paid until after, by the revision of its Treaties of Commerce with the foreign Powers, the Sublime Porte should have obtained the augmentation of its import customs dues.

"9. After this augmentation of import dues, a sinking fund of so much per cent. would be fixed on the total amount of the Exterior Debt; but this sinking fund would be applied to the successive reimbursement of each loan, according to its date of issue, beginning by the oldest, and accumulating the interest of the loans as paid off; the redemption of the General Debt would take place last.

"10. The agreement would be made between the Sublime Porte of the one part and the delegates of the holders of the bonds of the Ottoman Exterior Debt of different denominations of the other part, and would be communicated by the Imperial Government to the foreign Missions at Constantinople."

It will be seen by above that my approval is only qualified, as I think that the proportion of the Turkish Debt to be paid by Greece for the valuable territory just handed over to her by Turkey ought in fairness to be made over direct to its bondholders.

M. Valfrey.

It is only from peculiar sources at Constantinople and Paris that I can gather the numerous alterations in the plans of the Syndicate whom he represents. In April a bold attempt was made to get hold of the tobacco revenue, which I, unaided, was able to frustrate by telegrams to the Turkish Minister at Constantinople. Feelers were put out as follows:—

Turkish Tobacco Régie.

"The Imperial Ottoman Bank and its group, instead of continuing to work on their own account the six indirect contributions which have been assigned to them, intend forming these same revenues into two portions—the one to include the tobacco revenue, and the other portion of the other five contributions. The latter would belong to Turkey's creditors, so that the resumption of the payment of the dividends could immediately take place to the extent these revenues would allow. The interest might continue augmenting the same way as were treated the obligations of the north of Spain.

"As regards the first portion of the revenues, that resulting from the working of the tobacco, the following combination is spoken of:—To form a Company, with a capital of 100,000,000 fr., to work the monopoly of the tobacco. It would be a form of co-interested régie, similar to that which has been so successful in Italy, and a minimum produce is already ascertained. This may, therefore, be offered as a guarantee for the issue of new obligations, bearing 5 per cent. interest, and of sufficient capital to cover the amount now due to the Ottoman Bank and its group, the latter undertaking to accept them at par, thus showing their confidence in the project. The service on these obligations would be reckoned, in interest and amortisation, so that all the bonds may be redeemed in fourteen years, at the expiration of which time an important annuity would thus become absolutely free, adding to the revenues the other creditors would have been receiving."

M. Valfrey's Latest Project.

"In his new project, M. de Valfrey takes into consideration only the revenue of the six indirect contributions, which he demands shall entirely be effected to the service of the Ottoman Debt, and leaves altogether aside the other revenues designated to that service by the Porte's Circular of the 3rd October. By this plan, the Galata bankers will have to withdraw from this department, and will receive a certain sum as interest to be payable by a syndicate formed for this purpose."

The Honourable R. Bourke, M.P.

Knowing that paragraphs are often inserted in newspapers to effect certain ends, nothing *bizarre* surprises me; but I do not think that the following, from the "Standard," came from the wire-pullers:—

"Should the majority accept Mr. Bourke's nomination, it is expected that he will join M. Valfrey at Constantinople about the beginning of September. It is understood that the taxes which the Sultan appears disposed to assign to the service of the bondholders will be collected on their behalf, under the supervision of Mr. Lang, who has so successfully conducted the administration of the Convention with the Ottoman Bank and the Galata bankers. The Sultan is believed to be favourable to this arrangement."

At the Conference of the Bondholders' Committee, held last Wednesday, it was generally understood that M. Valfrey was at Berlin and Carlsbad, and that the Right Hon. R. Bourke would soon join him there, *en route* to Constantinople; so the three months' delay must be a mysterious *canard*, much on a par with the statement about Mr. Lang.

(Signed) H. GUEDALLA.

June 29, 1881.

No. 168.

Earl Granville to the Earl of Dufferin.

(No. 458.)

My Lord, *Foreign Office, June* 30, 1881.

I TRANSMIT herewith a copy of a letter from the Colonial Office, inclosing copy of a despatch from Her Majesty's High Commissioner in Cyprus, respecting the repayment of that part of the forced loan of 1877 which was raised among the Turkish officials of Cyprus.*

The Secretary of State for the Colonies suggests that I should instruct your Excellency to renew the application made to the Porte by Her Majesty's Embassy, on the 12th April of last year, for its concurrence in the repayment by the Government of Cyprus of the sums taken from the officials of the island, the amount being charged against the annual tribute; but, in view of the communications which it is proposed to make to the Porte, on behalf of Her Majesty's Government, as to the future appropriation of the surplus payable to the Sultan, I prefer to leave it to your Excellency's discretion to deal with this matter as you may consider best.

I am, &c.

(Signed) GRANVILLE.

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* No. 161.

No. 169.

Lord Tenterden to Mr. Herbert.

Sir, *Foreign Office, June 30, 1881.*

I LAID before Earl Granville your letter of the 17th instant, in which the Secretary of State for the Colonies suggests that Her Majesty's Ambassador at Constantinople should be instructed to renew the application made to the Porte by Her Majesty's Embassy, on the 12th April, 1880, for its concurrence in the repayment by the Government of Cyprus of the sums taken from the Turkish officials of the island under the forced loan of 1877, the amount being charged against the annual tribute payable to the Sultan.

I am directed by his Lordship to request that you will state to the Earl of Kimberley that, in view of the communications which it is proposed to make on behalf of Her Majesty's Government to the Porte as to the future appropriation of the surplus payable to the Sultan, the moment does not appear to Earl Granville to be favourable for pressing the matter of the forced loan; but that he has transmitted copies of your letter, and of Sir R. Biddulph's despatch which is inclosed therein, to the Earl of Dufferin, to be dealt with as his Excellency may consider best.

I am, &c.
(Signed) TENTERDEN.

No. 170.

The Law Officers of the Crown and Dr. Deane to Earl Granville.—(Received July 1.)

My Lord, *Temple, June 30, 1881.*

WE were honoured with your Lordship's commands signified in Lord Tenterden's letter of the 15th instant, stating that, with reference to our Report of the 6th January last, relative to the question of the retention by Her Majesty's Government of so much of the surplus revenue of Cyprus as might be sufficient to satisfy the arrears due by the Ottoman Government to the Porte on account of the 1855 Loan, he was directed by your Lordship to lay before us the accompanying correspondence on the subject which had taken place since the date of our Report.

That that correspondence referred, as we would observe, to two distinct points:—

1. The offer made by the Porte, and accepted by Her Majesty's Government, to apply the surplus revenue of Cyprus for 1879-80 to the 1855 Loan, on the understanding that the surplus for that year was to be converted at the rate of 120 piastres to the Turkish £; and

2. To the appropriation in subsequent years of the surplus, or of such portion of it as might be required, to the payment of the arrears and interest due on the loan.

That the communication suggested in our Report, calling upon the Porte to give the Guaranteeing Governments the benefit of the special security to which they were entitled under Article III of the Convention of 1855, by which the customs of Smyrna were specially charged with the interest and sinking fund of the loan, had been made by the British and French Ambassadors; no reply to that communication had been received from the Porte.

That Lord Tenterden was to call our special attention to Mr. Goschen's despatch No. 374 of the 10th May, and to the note from the Porte inclosed in it; to the letter to the Treasury of the 27th May, and to their reply of the 4th June; and Lord Tenterden was to request us to take into our consideration the annexed draft of a despatch which your Lordship proposed to address to Her Majesty's Ambassador at Constantinople, instructing him to call the attention of the Porte to Lord Salisbury's despatch of the 23rd December, 1879, and to inform them that Her Majesty's Government do not recognize the assignment of the Cyprus revenues to the Administration of the Six Contributions, and that in order to maintain the prior claim of the Governments they had decided to instruct the High Commissioner of Cyprus to suspend any further payments on account of the surplus revenue.

That your Lordship would be glad to be informed, at our early convenience, whether we concurred in the terms of the draft.

We were also honoured with Lord Tenterden's communication of the 28th instant.

In obedience to your Lordship's commands we have the honour to report—

That we concur in the terms of the draft.

We have, &c.
(Signed) HENRY JAMES.
FARRER HERSCHELL.
J. PARKER DEANE.

No. 171.

Lord Tenterden to Mr. Guedalla.

Sir, *Foreign Office, July 5, 1881.*

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 27th ultimo, relative to a proposed assignment to the Turkish bondholders of the annual tribute to be paid by Greece on account of the territory ceded by the Porte under the Convention of the 24th May, and a project for the settlement of the Turkish Debt.

I am, &c.
(Signed) TENTERDEN.

No. 172.

Lord Tenterden to Mr. Herbert.

Sir, *Foreign Office, July 6, 1881.*

I AM directed by Earl Granville to transmit to you, to be laid before the Secretary of State for the Colonies, the accompanying draft of a despatch which it is proposed to address to Her Majesty's Ambassador at Constantinople with regard to the manner of dealing with the Cyprus tribute and the mode of assessing its amount.

I am to request that you will inform the Earl of Kimberley that the terms of these proposed instructions are concurred in by the Law Officers of the Crown, and that you will move his Lordship to cause Lord Granville to be informed whether they have his concurrence also.

I am, &c.
(Signed) TENTERDEN.

No. 173.

Mr. Meade to Lord Tenterden.—(Received July 9.)

My Lord, *Downing Street, July 9, 1881.*

I AM directed by the Earl of Kimberley to acknowledge the receipt of your letter of the 6th instant, transmitting a draft of a despatch which it was proposed to address to Her Majesty's Ambassador at Constantinople regarding the Cyprus tribute, and the claims of Her Majesty's Government upon it.

With reference to the refusal of the Porte to consider the sum of 85,000*l.* as the whole of the surplus revenue of the island, I am to request that you will draw Earl Granville's attention to that part of the letter from this Department of the 18th ultimo in which it was pointed out that there appeared to be due to the Porte, in addition to this sum, a further amount of 5,000*l.* for lands under the terms of the Supplementary Convention of February 1879.

I am further to point out, with reference to the paragraph in the proposed despatch relating to the rate of conversion of the tribute into Turkish pounds, that it was with reference only to years subsequent to 1879-80 that the Lords Commissioners of the Treasury proposed that the conversion should take place on the basis of the average value of the piastre during the five years preceding the British occupation; and that in paragraph 27 of the Treasury letter to you of the 16th February last, it was stated that, in their Lordships' opinion, as regarded the year 1879-80, the offer of the Turkish Minister

of Finance to close the payment due for that year at the rate of 120 piastres to the Turkish pound should be accepted.

Subject to the foregoing observations, I am to express Lord Kimberley's concurrence in the proposed despatch.

I am, &c.
(Signed) R. H. MEADE.

No. 174.

The Earl of Dufferin to Earl Granville.—(Received July 10.)

(No. 529.)
My Lord, *Therapia, July 4*, 1881.

I HAVE the honour to report to your Lordship that Assim Pasha informed Mr. Plunkett in conversation yesterday, that he hoped shortly to be in a position to answer the note which Mr. Goschen had addressed to his Excellency on the 30th April last respecting the interest on the Guaranteed Loan of 1855.

Mr. Plunkett then inquired when his Excellency would furnish me with the Memorandum, which he had promised some time ago, explaining the points in his note of the 7th May last, upon which Mr. Goschen had asked for further details.

His Excellency's reply was vague, but intimated that he was making the necessary inquiries, and hoped soon to answer.

I have, &c.
(Signed) DUFFERIN.

No. 175.

The Earl of Dufferin to Earl Granville.—(Received July 10.)

(No. 533. Confidential.)
My Lord, *Therapia, July 5*, 1881.

I HAVE caused representations to be made to the Sublime Porte as regards the various pecuniary claims of British subjects on the Ottoman Government.

Sir A. Sandison, whom I had directed to speak to Assim Pasha on the subject, informs me that his Excellency assured him that the Sublime Porte felt the necessity of meeting its obligations, and that the principal object it had at present in view was to satisfy, as far as it was able, the demands of creditors in connection with the Public Debt.

Sir A. Sandison observed, in reply, that by the time this was done the British claimants—such as Messrs. Cuppa, &c.—would most likely be ruined.

His Excellency seemed to take much the same view of the case, but said that, for the present, it was impossible for the Government to meet claims of this kind. Osman Pasha, he went on to say, had appropriated all the available revenues of the Empire to the maintenance of the army, and the Ministers themselves, who had special assignments on the revenues of the Vilayet of Smyrna, had received no pay for the last two months.

His Excellency added that a representation had been made to the Sultan, in the hope of inducing His Majesty to authorize the immediate disbanding of the army on the Greek frontier, which he hoped would enable the Imperial Government to meet in part some of the pressing claims.

I have, &c.
(Signed) DUFFERIN.

No. 176.

Lord Tenterden to the Law Officers of the Crown and Dr. Deane.

Gentlemen, *Foreign Office, July 13*, 1881.

I AM directed by Earl Granville to submit to you the accompanying despatch from Her Majesty's Ambassador at Constantinople,* forwarding a letter from certain British subjects having claims against the Ottoman Government for various sums of money due on

* Lord Dufferin's No. 496.

account of work done, goods supplied, and services rendered, in which they call attention to a rumour that the Porte intends to surrender the surplus revenues of Cyprus for the benefit of the bondholders; and they protest against the assignment of the surplus by the Porte to any person, or body of persons, until the debts due to them by the Imperial Ottoman Government have been paid or satisfactorily provided for.

The claims in question have formed the subject of frequent correspondence between Her Majesty's Embassy and the Porte. They have, in whole or in part, as will be seen from the annexed despatches from Sir Henry Layard and Mr. Goschen, been admitted by the Turkish Government, which has made various proposals for their settlement, but has hitherto failed to carry these proposals into effect.

Your Report of the 6th January last relative to the appropriation of the Cyprus revenue to the payment of the arrears and interest of the Guaranteed Loan of 1855 is sent herewith for convenience of reference, together with the despatch which, with your concurrence, has been addressed to the Earl of Dufferin, renewing the protest of Her Majesty's Government against the assignment of the Cyprus revenues to the administration of the six contributions.

With reference to the last paragraph but one of the inclosed letter from the British creditors of the Porte, Lord Granville presumes that, apart from any question of previous lien under the Convention of 1855, the surplus revenue of Cyprus could not legally be attached in the hands of Her Majesty's Government by private creditors of the Porte. I am to request that you will favour his Lordship with your opinion as to whether that view be correct, and if so, whether Her Majesty's Ambassador at Constantinople may properly be instructed to inform the British creditors, in reply to their letter, that Her Majesty's Government claim to retain the surplus revenue of Cyprus in satisfaction of debts due to them by the Porte, and cannot admit the right of any other creditors to attach that surplus in their hands, or the right of the Porte to dispose of the same until its pecuniary obligations towards Great Britain have been liquidated.

I am to inclose, for your information, a further despatch from Lord Dufferin relative to representations which he has made to the Porte as to the claims of British subjects on the Ottoman Government.*

I am, &c.
(Signed) TENTERDEN.

No. 177.

Earl Granville to the Earl of Dufferin.

(No. 485.)
My Lord, *Foreign Office, July 14*, 1881.

HER Majesty's Government have had under their consideration Mr. Goschen's despatch No. 374 of the 10th May last, forwarding a note from the Porte relative to the question of the application of the Cyprus surplus for 1879-80 to the payment of the arrears due on the Ottoman Guaranteed Loan of 1855. The note states first that the Ottoman Government do not consider the sum of 85,000*l.* as the whole of the surplus revenue of Cyprus for that year; secondly, that the revenues of Cyprus having been pledged to the administration of the six indirect contributions by the Convention of the 22nd November, 1879, that portion only of the revenues which preceded the conclusion of the said Convention can be affected to the 1855 Loan; thirdly, that for the future the Turkish Government will insist on the conversion of the surplus at the rate of 100 piastres to the Turkish pound.

I will deal first with the second point, which refers to the assignment of the tribute to the administration of the six contributions. Her Majesty's Government are advised that they are entitled to treat the surplus revenues of Cyprus as part of the revenues of Turkey which are charged, by Article III of the Convention of 1855, with the payment of the interest and sinking fund of the 1855 Loan, and they cannot admit the right of the Porte to assign them to later creditors. A despatch was addressed by my predecessor to Sir H. Layard on the 23rd December, 1879, in which he stated that Her Majesty's Government could not "accept or recognize the transfer to any other person of the Sultan's right to receive this payment, nor could they admit any liability, immediate or contingent, to pay it to any person except the Sultan. Further, that any debt owing by the Porte to Her Majesty's Government must of necessity stand as a first charge against the said surplus."

I have to instruct your Excellency to address a note to the Porte calling their attention

* No. 175.

to the communication in this sense made by Sir H. Layard in January 1880, and to state that Her Majesty's Government do not recognize the assignment of the Cyprus revenues to the administration of the six contributions.

With reference to the first and second points raised in Assim Pasha's note, I may refer your Excellency for a statement of the views of Her Majesty's Government to the letter from the Board of Treasury of the 16th February last. You will see that the Board, after a careful consideration of the subject, consider that the accounts of the Government of Cyprus previous to the transfer were fairly and impartially examined by Sir R. Biddulph; that the claims for deductions made by him were reasonable, and they assumed, until better informed, that the annual payment was properly fixed by him at 11,121,951 piastres, subject to a temporary deduction of 29,574 piastres, on account of the forced Loan of 1877.

With regard to the rate of exchange, the Board were of opinion that the payment to the Porte for the years subsequent to 1879-80 should be made at the average rate which prevailed during the five years preceding occupation.

If the Ottoman Government wish to reopen the discussion of these points, Her Majesty's Government will be prepared to do so at a fitting opportunity; but, in view of the claim which has been put forward to ignore the rights of the guaranteeing Governments under the Convention of the 27th June, 1855, and to transfer part of their security to the parties to the Convention of the 22nd November, 1879, Her Majesty's Government have decided, in order to maintain the prior claim of the guaranteeing Government, to instruct the High Commissioner of Cyprus to suspend any further payments on account of the surplus revenue.

Mr. Goschen's proposal to continue to press for the immediate remittance of as large a portion as possible of the 85,000*l.* which the Porte offered to pay on account of the interest due on the 1855 Loan is approved, and I have to request your Excellency to take action accordingly.

I am, &c.
(Signed) GRANVILLE.

No. 178.

The Earl of Dufferin to Earl Granville.—(Received July 18.)

(No. 554.)
My Lord, *Therapia, July 10, 1881.*

I HAVE the honour to acknowledge the receipt of your Lordship's despatch No. 458 of the 30th ultimo on the subject of the repayment of that part of the Forced Loan of 1877 which was raised among Ottoman officials of Cyprus.

I entirely agree with your Lordship, that in view of our proximately dealing with the surplus revenue of Cyprus, it would be undesirable incidentally to moot a question in respect of which the Porte is extremely sensitive.

I have, &c.
(Signed) DUFFERIN.

No. 179.

Mr. Meade to Lord Tenterden.—(Received July 19.)

My Lord, *Downing Street, July 18, 1881.*

I AM directed by the Earl of Kimberley to acknowledge the receipt of your letter of the 30th June respecting the question of the repayment of contributions made by Turkish officials in Cyprus to the Forced Loan of 1877.

In reply I am to acquaint you, for the information of Earl Granville, that Lord Kimberley has now instructed the Government of Cyprus to commence repaying such of the Turkish officials as are still resident in Cyprus at the rate of 15 per cent. per annum, and he has informed him that when a final arrangement is arrived at with the Porte, Her Majesty's Government can claim deduction equal to the amount thus expended from future payments of the tribute.

I am, &c.
(Signed) R. H. MEADE.

No. 180.

Earl Granville to the Earl of Dufferin.

(No. 514.)
My Lord, *Foreign Office, July 22, 1881.*

WITH reference to your Excellency's despatch No. 529 of the 4th instant, I have to request you to address a note to the Porte informing them, that in the event of an answer not being received within fourteen days to Mr. Goschen's note of the 30th April last, calling upon them to give to the French and English Governments the benefit of the special securities for the payment of the interest and sinking fund of the 1855 Loan, to which they are entitled under the 3rd Act of the Convention of 1855, Her Majesty's Government will at once proceed, according to the terms of Mr. Goschen's note, to consider, in concert with the French Government, what other arrangement can be made for securing the guaranteeing Governments against loss by the default of the Ottoman Government.

I have, &c.
(Signed) GRANVILLE.

No. 181.

The Earl of Dufferin to Earl Granville.—(Received July 30.)

(No 342.)
(Telegraphic.) *Constantinople, July 29, 1881.*

GUARANTEED Loan of 1855. Your despatch No. 514 received this morning. Two hours later I got the answer of the Porte to Mr. Goschen's No. 77 of the 30th April. Substance of reply is as follows:—

"Porte expresses regret at delay. If its engagements have not been punctually met, English Government is too just not to admit that the delay has been occasioned by circumstances over which it had no control.

"On receiving the identic note the Imperial Cabinet examined the demand it contained with earnest attention. Fully alive to the obligations imposed upon it by the guarantee of England and France, the Porte is engaged in seeking the best way of providing for the liquidation of the arrears. It will occupy itself with the payments hereafter falling due as soon as the delegates of the bondholders arrive."

Though the arrival of the Porte's note forestalls for the moment the instructions in your despatch No. 514, I have warned Minister for Foreign Affairs that I am sure Her Majesty's Government would not accept his note as a reply; and I have acquainted him with the substance of your instructions, observing that, if he did not shortly send a more satisfactory communication, England and France would undoubtedly resort to the alternative referred to by Mr. Goschen.

No. 182.

The Earl of Dufferin to Earl Granville.—(Received August 1, 1·45 A.M.)

(No. 344.)
(Telegraphic.) *Constantinople, July 31, 1881, 11·55 P.M.*

YOUR despatch No. 485 of the 14th July.

Am I to announce, in the note I am instructed to address to the Porte, in the third paragraph, the decision arrived at by Government regarding the surplus revenue of Cyprus, noted in last paragraph but one?

No. 183.

The Law Officers of the Crown and Dr. Deane to Earl Granville.—(Received August 2.)

My Lord, *Temple, August 1, 1881.*

WE are honoured with your Lordship's commands signified in Lord Tenterden's letter of the 13th instant, stating that he was directed by your Lordship to submit to us a despatch from Her Majesty's Ambassador at Constantinople, forwarding a letter from certain British subjects having claims against the Ottoman Government for

various sums of money due on account of work done, goods supplied, and services rendered, in which they called attention to a rumour that the Porte intended to surrender the surplus revenues of Cyprus for the benefit of the bondholders, and that they protested against the assignment of the surplus by the Porte to any persons or body of persons until the debts due to them by the Imperial Ottoman Government had been paid or satisfactorily provided for.

That the claims in question had formed the subject of frequent correspondence between Her Majesty's Embassy and the Porte. That they had, in whole or in part, as would be seen from the annexed despatches from Sir H. Layard and Mr. Goschen, been admitted by the Turkish Government, which had made various proposals for their settlement, but had hitherto failed to carry those proposals into effect. That our Report of the 6th January last, relative to the appropriation of the Cyprus revenue to the payment of the arrears and interest of the Guaranteed Loan of 1855, was sent therewith for convenience of reference, together with a despatch which, with our concurrence, had been addressed to the Earl of Dufferin,* renewing the protest of Her Majesty's Government against the assignment of the Cyprus revenues to the Administration of the Six Contributions. That, with reference to the last paragraph but one of the inclosed letter from the British creditors of the Porte, your Lordship presumed that, apart from any question of previous lien under the Convention of 1855, the surplus revenue of Cyprus could not legally be attached in the hands of Her Majesty's Government by private creditors of the Porte. That Lord Tenterden was to request that we would favour your Lordship with our opinion as to whether that view be correct, and, if so, whether Her Majesty's Ambassador at Constantinople might properly be instructed to inform the British creditors, in reply to their letter, that Her Majesty's Government claimed to retain the surplus revenue of Cyprus in satisfaction of debts due to them by the Porte, and could not admit the right of any other creditors to attach that surplus in their hands, or the right of the Porte to dispose of the same until its pecuniary obligations towards Great Britain had been liquidated.

That Lord Tenterden was to inclose, for our information, a further despatch from Lord Dufferin, relative to representations which he had made to the Porte as to the claims of British subjects on the Ottoman Government.

In obedience to your Lordship's commands we have the honour to report—

That, in our opinion, the surplus revenue of Cyprus could not legally be attached in the hands of Her Majesty's Government by private creditors of the Porte.

And Her Majesty's Ambassador at Constantinople, we consider, may properly be instructed to inform the British creditors of the Porte that Her Majesty's Government claim to be entitled to retain such surplus revenue, and cannot admit the right of any other creditors of the Porte to attach that surplus in their hands, or the right of the Turkish Government to dispose of the same until its pecuniary obligations towards Great Britain have been liquidated.

We have, &c.
(Signed) HENRY JAMES.
FARRER HERSCHELL.
J. PARKER DEANE.

No. 184.

Earl Granville to the Earl of Dufferin.

(No. 403.)
(Telegraphic.)
Foreign Office, August 2, 1881.

YOUR telegram No. 344, July 31.
Cyprus surplus. Yes.

No. 185.

The Earl of Dufferin to Earl Granville.—(Received August 8.)

(No. 630.)
Therapia, July 30, 1881.

My Lord,

I HAVE the honour to inclose the answer of the Porte to Mr. Goschen's note No. 77 of the 30th April last in reference to the Guaranteed Loan of 1855.

About two hours before the arrival of this note I had received your Lordship's despatch No. 514 of the 22nd July, requesting me to inform the Porte that, in the event

* No. 177.

of an answer not being received within fourteen days to the above-mentioned note of Mr. Goschen, Her Majesty's Government would proceed to consider, in concert with the French Government, what arrangements could be made for securing the Guaranteeing Governments against loss through the non-fulfilment of their engagements by the Turkish Government in respect of the Loan of 1855.

Your Lordship will perceive that, in its reply, the Porte merely confines itself to the announcement that it is considering in what way its unfulfilled obligations can be met. This answer cannot be considered satisfactory, and fails altogether to comply with the peremptory demand of the late Ambassador.

Although the arrival of the Porte's note has forestalled the contingent instructions conveyed to me by your Lordship, I have thought it advisable to acquaint the Prime Minister unofficially with the nature of the communication which it would have been my duty to make to him had the answer to Mr. Goschen's note of the 30th April been any longer delayed.

At the same time, I have informed his Highness that it was obvious the Porte's note would not be accepted by your Lordship as a reply, and that, unless it were followed by another of a more explicit character, I was quite certain the Government of Her Majesty, in concert with that of France, would at once take other measures to cover the responsibilities they had incurred through their joint guarantee.

I have, &c.
(Signed) DUFFERIN.

Inclosure in No. 185.

Assim Pasha to the Earl of Dufferin.

M. l'Ambassadeur,
La Sublime Porte, le 28 Juillet, 1881.

J'AI reçu la note que son Excellence Mr. Goschen a bien voulu m'adresser le 30 Avril dernier, relativement au service de l'Emprunt Garanti de 1855.

La Sublime Porte regrette sincèrement les retards survenus dans ce service. Si ses engagements n'ont pu être exécutés ponctuellement, cela est dû, le Gouvernement de Sa Majesté Britannique est trop juste pour ne pas en convenir, à des causes absolument indépendantes de sa volonté.

A la réception de la note identique à laquelle j'ai l'honneur de répondre, le Cabinet Impérial a examiné la demande qui en fait l'objet avec toute l'attention qu'elle mérite. Soucieuse des obligations que lui impose la garantie de la Grande Bretagne et de la France, la Sublime Porte recherche les moyens de régler le montant des arriérés.

Pour ce qui est des échéances à venir, le Gouvernement Impérial ne manquera pas de s'en occuper à l'arrivée à Constantinople des délégués des porteurs des titres Ottomans, chargés des négociations relatives au réglement de la dette publique.

En ayant l'honneur de porter ce qui précède à la connaissance de votre Excellence, je saisis, &c.

(Signé) ASSIM.

No. 186.

Earl Granville to Musurus Pasha.

M. l'Ambassadeur,
Foreign Office, August 8, 1881.

WITH reference to the inquiry made by your Excellency as to the conclusion at which Her Majesty's Government may have arrived with regard to the communication addressed to me by your Excellency on the 24th May last relative to the amount of the surplus revenue of Cyprus payable to His Majesty the Sultan, I have the honour to acquaint you that instructions on the subject were sent to Her Majesty's Ambassador at Constantinople on the 14th ultimo. Your Excellency will find them under No. 13, p. 7, of the inclosed "Correspondence respecting the Application of the Surplus Revenue of Cyprus,"* which has just been presented to both Houses of Parliament by command of Her Majesty.

The despatch from Assim Pasha left at the Foreign Office by your Excellency is returned herewith.

I have, &c.
(Signed) GRANVILLE.

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* "Turkey No. 7 (1881)."

No. 187.

Earl Granville to the Earl of Dufferin.

(No. 562.) *Foreign Office, August 9, 1881.*

My Lord,

I HAVE to acknowledge the receipt of your Excellency's despatch No. 496 of the 13th June last, forwarding copy of a letter from certain British subjects having claims against the Ottoman Government for various sums of money due on account of work done, goods supplied, and services rendered. These claimants call attention to a rumour that the Porte intends to surrender the surplus revenues of Cyprus for the benefit of the bondholders, and they protest against the assignment of the surplus by the Porte to any person or body of persons until the debts due to them by the Ottoman Government have been paid or satisfactorily provided for.

These claims, as your Excellency is aware, have formed the subject of frequent correspondence, which is noted in the margin,* between Her Majesty's Embassy and the Turkish Government. They have in whole or in part been admitted by the Porte, which has made various proposals for their settlement, but has hitherto failed to carry them into effect, and your Excellency has quite recently made further representations on the subject to the Turkish Government.†

In my despatch No. 485 of the 14th ultimo I gave your Excellency instructions to renew the protest made by Sir Henry Layard in January 1880 against the assignment of the Cyprus revenues to the Administration of the Six Contributions, and I have consulted the Law Advisers of the Crown as to the legal merits of the claim now put forward in the letter inclosed in your despatch of the 10th June to place an attachment upon the sum which Her Majesty's Government has to pay to the Sultan from the Cyprus revenue.

Her Majesty's Government are of opinion that the surplus revenue of Cyprus could not legally be attached in their hands by private creditors of the Porte.

I have to instruct your Excellency to inform the British creditors of the Porte, in reply to their letter of the 13th June, that Her Majesty's Government claim to be entitled to retain such surplus revenue in satisfaction of debts due to them by the Porte, and they cannot admit the right of any other creditors of the Porte to attach that surplus in their hands, or the right of the Turkish Government to dispose of the same until its pecuniary obligations towards Great Britain have been liquidated.

I am, &c.

(Signed) GRANVILLE.

No. 188.

The Earl of Dufferin to Earl Granville.—(Received August 15.)

(No. 671.) *Constantinople, August 9, 1881.*

My Lord,

I HAVE the honour to transmit herewith to your Lordship copies of two notes which I have addressed to the Sublime Porte, in compliance with the instructions contained in your Lordship's despatch No. 485 of the 14th July last, on the subject of the surplus revenue of Cyprus and the Guaranteed Loan of 1855.

I have, &c.

(Signed) DUFFERIN.

Inclosure 1 in No. 188.

The Earl of Dufferin to Assim Pasha.

Therapia, August 4, 1881.

M. le Ministre,

ON the 7th May last your Excellency was good enough to address a note to my predecessor on the subject of the surplus revenues of Cyprus.

As regards that part of the note in which your Excellency states that only that portion of the revenues which preceded the conclusion of the Convention of the

* Sir A. H. Layard, No. 496, May 10; to Mr. Goschen, No. 32, June 2; Mr. Goschen, No. 42, June 14; to Mr. Goschen, No. 185, June 30; Mr. Goschen, No. 585, November 19; ditto, No. 660, December 8, 1880; the Earl of Dufferin, No. 496, June 19, 1881.

† No. 175.

22nd November, 1879, could be affected to the 1855 Loan, I am instructed by Earl Granville to inform your Excellency that Her Majesty's Government deem themselves entitled to treat the surplus revenues of Cyprus as part of the revenues of Turkey which are charged, by Article III of the Convention of 1855, with the payment of the interest and sinking fund of the 1855 Loan, and that therefore they cannot admit the right of the Porte to assign them to later creditors. In explanation of this view, I have to bring to your Excellency's recollection a communication made to the Sublime Porte by Sir H. Layard on the 3rd January, 1880, in which he stated, in obedience to instructions from Her Majesty's Minister for Foreign Affairs, that "Her Majesty's Government could not accept nor recognize the transfer to any other person of the Sultan's right to receive this payment, nor could they admit any liability, immediate or contingent, to pay it to any person except the Sultan." Also "that any debt owing by the Porte to Her Majesty's Government must of necessity stand as a first charge against the said surplus."

From the terms of this communication your Excellency will not fail to perceive that Her Majesty's Government does not recognize the assignment of the Cyprus revenues to the Administration of the Six Contributions; and as it would appear from your Excellency's note that the Ottoman Government contemplates the postponement of the rights of the Guaranteeing Powers under the Convention of the 27th June, 1855, and to transfer part of this security to the parties to the Convention of the 22nd November, 1879, it is my duty to inform your Excellency that Her Majesty's Government have decided, in order to maintain the prior claim of the Guaranteeing Governments, to instruct the High Commissioner of Cyprus to suspend any further payments on account of the surplus revenue.

It is further represented in your Excellency's note that the Ottoman Government do not consider the sum of 85,000*l.* as the whole of the surplus revenue of Cyprus for the year 1879-80, and that for the future the Ottoman Government are entitled to insist on the conversion of the surplus at the rate of 100 piastres to the £ T.

With reference to the first of these contentions, I have to inform your Excellency that Her Majesty's Government, after a careful consideration of the subject, are of opinion that the accounts of the Government of Cyprus, previous to the transfer, were fairly and impartially examined by Sir R. Biddulph, that the claims for deductions made by him were reasonable, and that, consequently, they are justified in assuming, until better informed, that the annual payment was properly fixed by him at 11,121,951 piastres, subject to a temporary deduction of 29,574 piastres on account of the forced loan of 1877.

As regards the second point, viz., the rate of exchange, Her Majesty's Government consider that the payment to the Porte for the years subsequent to 1879 should be made at the average rate which prevailed during the five years preceding occupation; but I am instructed by Lord Granville to state to your Excellency that, if the Ottoman Government wish to reopen the discussion on these two subjects, Her Majesty's Government will be prepared to do so at a fitting opportunity.

I avail, &c.

(Signed) DUFFERIN.

Inclosure 2 in No. 188.

The Earl of Dufferin to Assim Pasha.

Therapia, August 4, 1881.

M. le Ministre,

WITH reference to your Excellency's note to Mr. Goschen, to which I have referred in my preceding note of this day's date, I am desired by Her Majesty's Principal Secretary of State for Foreign Affairs to convey to your Excellency the earnest desire of Her Majesty's Government to be furnished, as soon as possible, with a statement of the precise amount which, under the arrangement indicated by your Excellency, would have to be deducted from the 85,000*l.* which the Sublime Porte has offered to pay on account of the interest due on the 1855 Loan; and I am to beg your Excellency to cause the necessary arrangements to be made for the immediate remittance of as large a portion as possible of this sum.

I avail, &c.

(Signed) DUFFERIN.

No. 189.

Earl Granville to Mr. Adams.

(No. 787.)

Foreign Office, August 15, 1881.

Sir,

THE Porte having again failed to make sufficient provision for the dividend on the Imperial Ottoman Guaranteed Loan of 1855 due this month, directions have been given by the Lords Commissioners of Her Majesty's Treasury for the issue, out of the Consolidated Fund, of 41,448*l.* 11*s.* 2*d.*, the amount deficient.

I have requested the Ottoman Ambassador to bring the matter to the notice of the Porte, and to inform me of the steps which it proposes to take for the repayment of the amount.

I inclose a copy of a despatch which I have addressed to Her Majesty's Ambassador at Constantinople,* instructing his Excellency to remind the Porte of the amount of its previous liabilities on account of the Guaranteed Loan, and of the further sums which have raised the total now in arrear to 184,234*l.* 3*s.* 2*d.*, to which will have to be added the interest charged by the Bank of England on the dividend between the dates of the advance by them and its repayment by Her Majesty's Treasury.

I have to instruct you to convey this information to the French Government, and I transmit herewith, for communication to them, a copy of the Tabular Statement which is referred to in my instructions to Lord Dufferin,† and which gives the particulars of the amount due from the Turkish Government on the 6th April last.

I am, &c.

(Signed) GRANVILLE.

No. 190.

Earl Granville to the Earl of Dufferin.

(No. 376.)

Foreign Office, August 15, 1881.

My Lord,

THE Porte has again failed to make sufficient provision for the dividend on the Imperial Ottoman Guaranteed Loan of 1855 due this month.

I inclose a copy of the letter which I have, in consequence, addressed to Musurus Pasha, requesting his Excellency to bring the matter to the notice of the Porte, and to inform me of the steps that it proposes to take for the repayment of the sum of 41,448*l.* 11*s.* 2*d.* which has been issued out of the Consolidated Fund in order to make good the default of the Turkish Government.‡

I should wish your Excellency to remind the Porte that, previous to the present default, there was an arrear of 142,785*l.* 12*s.* due to the Guaranteeing Governments, viz., 142,754*l.* 13*s.* 8*d.*, as shown in the account which was communicated to me by the Board of Treasury on the 10th April last, and which I transmitted to Mr. Goschen in my despatch No. 381 of the 21st May last, and 30*l.* 18*s.* 4*d.* since paid to the Bank of England as interest on its advances. The arrear has thus become increased to 184,234*l.* 3*s.* 2*d.*, to which sum will have to be added the interest charged by the Bank of England for the period during which they have advanced the dividend due on the 1st of the present month to the bondholders before receiving repayment from Her Majesty's Treasury.

I am, &c.

(Signed) GRANVILLE.

No. 191.

Earl Granville to Musurus Pasha.

Foreign Office, August 15, 1881.

M. l'Ambassadeur,

WITH reference to my letter to your Excellency of the 19th February last, I regret to state that I learn from the Lords Commissioners of Her Majesty's Treasury that the Porte has again failed to make sufficient provision for the dividend on the Imperial Ottoman Guaranteed Loan of 1855 due this month.

Directions have therefore been given for the issue out of the Consolidated Fund

* No. 180. † No. 190. ‡ No. 191.

of 41,448*l.* 11*s.* 2*d.*, the amount deficient, in discharge of the liability of the British and French Governments in respect to that loan.

I have the honour to request that your Excellency will be good enough to bring this matter to the notice of the Porte, and to inform me in due time of the steps which it proposes to take for the repayment of the sum advanced.

I have, &c.

(Signed) GRANVILLE.

No. 192.

Sir J. Pauncefote to Sir R. Lingen.

Foreign Office, August 15, 1881.

Sir,

I LAID before Earl Granville your letter of the 10th instant upon the subject of the failure of the Porte to make sufficient provision for the August dividend on the Imperial Ottoman Guaranteed Loan of 1855; and I am directed by his Lordship to transmit to you, for the information of the Lords Commissioners of Her Majesty's Treasury, copies of instructions which, in order to carry out their Lordships' wishes, have been addressed to Her Majesty's Ambassador at the Porte and Her Majesty's Minister at Paris,* and of an application which has been made in the usual form to the Ottoman Ambassador at this Court, requesting his Excellency to bring the matter of the default to the notice of the Porte, and to inform Lord Granville of the steps which it proposes to take for the repayment of the sum advanced by Her Majesty's Treasury.†

I am, &c.

(Signed) JULIAN PAUNCEFOTE.

No. 193.

Sir J. Pauncefote to Sir R. Lingen.

Foreign Office, August 16, 1881.

Sir,

WITH reference to my letters of the 2nd and 27th May, I am directed by Earl Granville to transmit to you, to be laid before the Lords Commissioners of Her Majesty's Treasury, a copy of a despatch from Her Majesty's Ambassador at Constantinople, forwarding the reply of the Porte to Mr. Goschen's note of the 30th April last, calling upon them to give to the Governments of France and England the benefit of the special securities (namely, the customs of Smyrna and Syria) which were specially charged with the interest and sinking fund of the Guaranteed Loan of 1855.‡

The Porte, after three months' delay, does no more than state that it is considering the way in which its unfulfilled obligations can be met; and I am to request you to move their Lordships to inform Lord Granville whether, in view of the unsatisfactory nature of this reply, they consider that steps should now be taken, in accordance with the warning which Mr. Goschen was instructed to give to the Porte, for considering, in concert with the French Government, what other arrangement can be made for securing the Guaranteeing Governments against loss by the default of the Ottoman Government.

The Law Officers of the Crown have, as their Lordships are aware, given their opinion that, in the event of the demand which Mr. Goschen was instructed to make not being complied with, Her Majesty's Government would be justified in retaining so much of the surplus revenues of Cyprus as may be sufficient to satisfy the arrears due by the Porte in respect of interest or sinking fund, by way of enforcement, for the joint interest of Great Britain and France, of the charge created on the whole revenues of the Ottoman Empire by the Convention of 1855.

If their Lordships consider that steps should now be taken in accordance with the Law Officers' views, Lord Granville would be glad to be favoured with their opinion as to the terms in which the communication on the subject should be made to the French Government.

I am, &c.

(Signed) JULIAN PAUNCEFOTE.

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* Nos. 189 and 190. † No. 191. ‡ No. 185.

No. 194.

Earl Granville to the Earl of Dufferin.

(No. 410.) *Foreign Office, August* 17, 1881, 6·30 P.M.
(Telegraphic.)

IN copy of first note to Porte inclosed in your despatch No. 671 of 9th instant the sum at which annual Cyprus payment was fixed is given as 11,121,051 piastres. It should be 900 more piastres (see my despatch No. 485 of the 14th July).

Please have error corrected at Porte if note went in as appears from copy sent home.

No. 195.

Mr. Adams to Earl Granville.—(*Received August* 20.)

(No. 773.) *Paris, August* 18, 1881.
My Lord,

I HAVE the honour to inform your Lordship that I have this day addressed a note to the French Government, in the terms of your Lordship's despatch No. 787 of the 15th instant, which reached me this morning, and I have informed that Government of the steps taken by Her Majesty's Government in consequence of the failure of the Porte to provide for the dividends now due on the Ottoman Guaranteed Loan of 1855.

I have at the same time communicated to the French Government a copy of the Table giving particulars of the amount due from the Turkish Government on the 6th April last.

I have, &c.
(Signed) F. O. ADAMS.

No. 196.

Earl Granville to the Earl of Dufferin.

(No. 597.) *Foreign Office, August* 20, 1881.
My Lord,

THE Turkish Ambassador called upon me this afternoon, and told me that his Government were ready so far as regards the past to acquiesce in the proposals made by Her Majesty's Government and that of France for dealing with the liabilities of the Porte in regard to the Guaranteed Loan of 1855.

They wished, however, before pledging themselves to any arrangements for the future, to have the opportunity of consulting the representatives of the bondholders, who were expected shortly at Constantinople.

I am, &c.
(Signed) GRANVILLE.

No. 197.

Earl Granville to the Earl of Dufferin.

(No. 594.) *Foreign Office, August* 22, 1881.
My Lord,

I HAVE received your despatch No. 671 of the 9th instant, inclosing copies of the notes addressed by your Excellency to the Turkish Government relative to the surplus revenue of Cyprus, and the question of the remittance by the Porte of the amount promised on account of interest due on the 1855 Loan, and I approve the terms of the notes in question.

I have, however, to point out that, what is probably a clerical error, occurs in the copy of the first note, where the amount at which the annual payment was fixed by Sir R. Biddulph is stated to be 11,121,051 piastres, instead of 11,121,951 piastres, which is the sum mentioned in my despatch No. 485 of the 14th July; and I have requested your Excellency by telegraph to cause the necessary correction to be made at the Porte, if your original note was sent in the form which it bears in the copy.

I am, &c.
(Signed) GRANVILLE.

No. 198.

Lord F. Cavendish to Lord Tenterden.—(*Received August* 23.)

Treasury Chambers, August 22, 1881.
My Lord,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to acknowledge the receipt of your Lordship's letter dated the 1st instant, covering a decypher of a telegram which had been received from the Earl of Dufferin at Constantinople, giving the substance of a further communication which had passed between Her Britannic Majesty's Embassy and the Porte in regard to the Guaranteed Loan of 1855.

I am to request that you will convey to Earl Granville the expression of their Lordship's satisfaction at learning the steps which Lord Dufferin has taken for pressing the Porte to give a speedy and definite reply to the proposals made in Mr. Goschen's note of the 30th April last; and I am to express a hope that his Lordship may shortly be able to report the result of his negotiations to Her Majesty's Government.

I have, &c.
(Signed) F. CAVENDISH.

No. 199.

The Earl of Dufferin to Earl Granville.—(*Received August* 29.)

(No. 700.) *Therapia, August* 17, 1881.
My Lord,

ON one or two recent occasions attempts have been made to levy the forced loan on British subjects.

The Embassy having objected to this imposition, I am glad to be able to inform your Lordship that a general order has been given that further proceedings of this kind are to be discontinued.

I have, &c.
(Signed) DUFFERIN.

No. 200.

The Earl of Dufferin to Earl Granville.—(*Received August* 29.)

(No. 712.) *Therapia, August* 19, 1881.
My Lord,

I HAVE the honour to inform your Lordship that I have this day addressed a letter to certain British subjects having claims against the Ottoman Government in the terms of your Lordship's despatch No. 562 of the 9th instant.

I have, &c.
(Signed) DUFFERIN.

No. 201.

Mr. Fraser to Earl Granville.—(*Received August* 29.)

(No. 381.) *Vienna, August* 26, 1881.
My Lord,

A FRENCH newspaper published here, the "Correspondance Politique," of yesterday's date, announces that Baron Mayr, lately Austro-Hungarian Minister at Washington, is to go to Constantinople as the Representative of the Austrian creditors of the Porte in the approaching negotiations respecting the Ottoman Debt.

I have, &c.
(Signed) HUGH FRASER.

No. 202.

Mr. Adams to Earl Granville.—(Received August 31.)

(No. 799.)

My Lord, *Paris, August 30, 1881.*

WITH reference to my despatch No. 773 of the 18th instant, I have the honour to inclose a copy of a note which I have received from the French Minister for Foreign Affairs, and in which his Excellency informs me that the French Chargé d'Affaires at Constantinople has been instructed to act with Lord Dufferin in regard to the failure of the Porte to provide the dividend due on the Guaranteed Loan of 1855.

I have, &c.

(Signed) F. O. ADAMS.

Inclosure in No. 202.

M. Barthélemy St. Hilaire to Mr. Adams.

M. le Ministre, *Paris, le 29 Août*, 1881.

J'AI reçu, avec son annexe, l'office que vous m'avez fait l'honneur de m'adresser, sous la date du 18 Août dernier, relativement au service de l'Emprunt Ottoman de 1855, garanti solidairement par la France et la Grande Bretagne. Il en résulte que la Sublime Porte n'a pas remis en temps utile à la Banque d'Angleterre les fonds nécessaires pour le paiement des intérêts du semestre échu ce mois-ci, et que les Lords Commissaires de la Trésorerie se sont vus, conformément au texte de la Déclaration du 27 Juillet, 1855, dans l'obligation de fournir, sur le fonds consolidé la somme à laquelle se monte le nouveau déficit.

Vous ajoutez que le Principal Secrétaire d'Etat a signalé au Gouvernement Turc, par l'entremise de son Représentant à Londres, l'irrégularité de cette situation et qu'il a prescrit à l'Ambassadeur de la Reine à Constantinople de demander à la Porte quelles mesures elles se proposait de prendre pour effectuer le remboursement des sommes avancées en dernier lieu par la Trésorerie Anglaise, ainsi que l'arriéré dû depuis plusieurs années aux deux Puissances Garantes.

Je vous remercie de ces renseignements que je me suis empressé de transmettre au Chargé d'Affaires de France à Constantinople, en l'invitant à se concerter avec Lord Dufferin pour agir auprès de la Porte Ottomane dans le sens indiqué par votre communication.

Agréez, &c.

(Signé) B. ST. HILAIRE.

No. 203.

E. MS. *Earl Granville to the Earl of Dufferin.*

(No. 613.)

My Lord, *Foreign Office, August 31, 1881.*

BY Article IX of the Treaty of Berlin it is stipulated that the amount of the annual tribute which the Principality of Bulgaria shall pay to the Suzerain Court shall be fixed by an agreement between the Signatory Powers at the close of the first year of the working of the new organization, the tribute being calculated on the mean revenue of the territory of the Principality, and that as Bulgaria is to bear a portion of the public debt of the Empire, when the Powers fix the tribute they shall take into consideration what portion of that debt can, on the basis of a fair proportion, be assigned to the Principality.

The formal recognition of the boundaries of the Principality has, as I have informed your Excellency in my despatch No. 612 of this day's date, now been made complete by the adhesion of the Porte to the Final Acts of the Bulgarian International Boundary Commission, and the Turkish Ambassador has communicated to me a despatch which he has received from the Porte, of which I inclose a copy, begging that steps may be taken to carry out the provisions of the Article of the Treaty above referred to.*

I have accordingly to authorize your Excellency to join with the Representatives of the other Great Powers at the Porte in the consideration of this subject.

I am, &c.

(Signed) GRANVILLE.

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* Porte to Musurus Pasha, August 11, 1881.

No. 204.

Earl Granville to the Earl of Dufferin.

(No. 426.)

(Telegraphic.) *Foreign Office, September 2, 1881, 4·30 P.M.*

FRENCH Chargé d'Affaires at Constantinople instructed to concert with you as to failure of Turkish Government to meet its engagements under the Guaranteed Loan of 1855.

No. 205.

Earl Granville to the Earl of Dufferin.

(No. 616.)

My Lord, *Foreign Office, September 2, 1881.*

WITH reference to my despatch No. 576 of the 15th ultimo relative to the failure of the Turkish Government again to provide the dividend due on the Guaranteed Loan of 1855, I inclose copy of a note addressed by the French Minister for Foreign Affairs to Her Majesty's Chargé d'Affaires at Paris, stating that the French Representative at Constantinople has been instructed to act with your Excellency in this matter.*

I am, &c.

(Signed) GRANVILLE.

No. 206.

Earl Granville to Mr. Adams.†

(No. 855A.)

Sir, *Foreign Office, September 2, 1881.*

THE French Ambassador inquired to-day what course Her Majesty's Government intend to take on the application of the Porte for the settlement of the Bulgarian Tribute question, as provided by Article IX of the Treaty of Berlin.

I replied that as the delimitation of Bulgaria was completed and accepted by the Porte, Her Majesty's Ambassador at Constantinople had been instructed to confer with his colleagues on the Tribute question.

I am, &c.

(Signed) GRANVILLE.

No. 207.

The Earl of Dufferin to Earl Granville.—(Received September 6.)

(No. 734.)

My Lord, *Therapia, August 27, 1881.*

I UNDERSTAND, upon pretty good authority, that the expenses of the Turkish Government for the ensuing year have been calculated at:—

	£
For the Army	5,000,000
For the Gendarmerie	2,000,000
For the Sultan	1,000,000
Total	8,000,000

As the net revenue, exclusive of the amount hypothecated to the indirect contributions, amounts to 11,000,000*l.*, there are remaining about 3,000,000*l.* for the expenses of Government administration.

I have, &c.

(Signed) DUFFERIN.

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* Inclosure in No. 202.

† A similar despatch was addressed to Mr. Macdonell.

No. 208.

The Earl of Dufferin to Earl Granville.—(Received September 7.)

(No. 360.)
(Telegraphic.) *Constantinople, September 7, 1881.*

FRENCH Chargé d'Affaires, in referring to Guaranteed Loan to-day, appeared to assume that the Cyprus tribute was a security upon which France had as much right to count as England, but his allusion was not sufficiently pointed to allow me to notice it. He said that the Servian Delegates had intimated to the representatives of the bondholders, who had demanded that the Cyprus tribute should be assigned to them, that the Porte proposed to assign it to England and France.

No. 209.

The Earl of Dufferin to Earl Granville.—(Received September 12.)

(No. 773.)
Constantinople, September 8, 1881.

My Lord,

I HAVE the honour to transmit herewith to your Lordship a copy of a note which I have addressed to the Sublime Porte in the terms of your Lordship's despatch No. 576 of the 15th ultimo on the subject of the failure of the Sublime Porte to provide for the dividend on the Imperial Ottoman Guaranteed Loan of 1855, due August last.

I have, &c.
(Signed) DUFFERIN.

Inclosure in No. 209.

The Earl of Dufferin to Assim Pasha.

Therapia, August 29, 1881.

M. le Ministre,

WITH reference to the note addressed to your Excellency by my predecessor on the 30th April last, I have the honour to inform your Excellency that I have received a despatch from Her Majesty's Principal Secretary of State for Foreign Affairs, stating that he has addressed a note to Musurus Pasha requesting his Excellency to call the attention of the Ottoman Government to the fact that the Sublime Porte has again failed to make sufficient provision for the dividend on the Imperial Guaranteed Loan of 1855, due this month, and begging to be informed of the steps that it is proposed to take for the repayment of the sum of 41,448*l.* 11*s.* 2*d.*, which has been issued out of the Consolidated Fund, in order to make good the default of the Ottoman Government.

I am now directed by Earl Granville to remind your Excellency that, previous to the present default, there was in arrear of 142,785*l.* 12*s.* due to the Guaranteeing Governments, namely, 142,754*l.* 13*s.* 8*d.*, which is the sum due to the British and French Governments together down to the 6th ultimo, for unpaid interest and bank commission, and 30*l.* 18*s.* 4*d.*, since paid to the Bank of England as interest on its advances.

The total arrear has thus become increased to 184,234*l.* 3*s.* 2*d.*, to which sum will have to be added the interest charged by the Bank of England for the period during which they have advanced the dividend due on the 1st of the present month to the bondholders before receiving repayment from Her Majesty's Treasury.

I avail, &c.
(Signed) DUFFERIN.

No. 210.

The Earl of Dufferin to Earl Granville.—(Received September 18, 1 P.M.)

(No. 374.)
(Telegraphic.) *Constantinople, September 18, 1881, 10 A.M.*

RUSSIAN Ambassador mooted in conference yesterday question of Bulgarian liabilities to Porte. He announced that he had been instructed to urge on his colleagues (1) that the proportion of debt due by Bulgaria could not be determined until total debt

of Ottoman Empire had been ascertained; (2) that the proper instrument for arriving at a knowledge of this would be the European Commission recommended in the 18th Protocol of the Congress of Berlin; and (3) that the cases of Roumania and Servia before the war would afford a convenient principle of evaluation. He added that M. de Giers was making representations in this sense to the Cabinets, and begged us to do the same. No inclination was shown by any of my colleagues to prolong the discussion after this announcement.

The object of Russia appears to be to minimize Bulgaria's obligations, and to delay indefinitely their fulfilment.

I contented myself with observing that there could be no practical difficulty in arriving at the sum total of funded debt of Turkey, and of pretty accurately estimating all her other obligations with the exception of the floating debt.

No. 211.

The Earl of Dufferin to Earl Granville.—(Received September 19.)

E. MS.
(No. 800. Confidential.)
Therapia, September 12, 1881.

My Lord,

I HAVE the honour to transmit herewith copies of two Tables which the Ottoman Delegates presented at their first meeting with the Delegates of the foreign bondholders.

The first shows the extent and nature of the Consolidated Debt of the Ottoman Government, with the exception of the portion guaranteed on the revenues of Egypt.

The second enumerates the revenues which the Porte is prepared to hand over to the bondholders for meeting the interest on the debt.

The first Table shows that the total nominal value of the funded debt is about £T. 200,000,000, whereas the issue value is only about £T. 97,000,000.

Of these £T. 97,000,000, which the Porte prefers to adopt as the basis for negotiation, it hopes to get rid of £T. 10,000,000 by charging them to Greece, Servia, and Montenegro.

The second Table shows the approximate value of the revenues to be ceded to the bondholders as follows:—

	£T.
Surplus of the Six Contributions	300,000
Surplus from Eastern Roumelia	240,000
Tribute to be repaid by Bulgaria	430,000
Surplus of Cyprus revenue	130,000
Total	1,100,000

At the second meeting, the Delegates, while accepting these figures under reserve, pointed out that the proposal to allot £T. 10,000,000 of the debt to Greece, Servia, and Montenegro was a matter not within the competency of the Commission, but which must be left to the decision of diplomacy. They made the same reserve as regards the tribute of Bulgaria, which has to be fixed by agreement between the Porte, the Powers, and the Principality itself. They made a similar remark with regard to the surplus revenue from Cyprus.

They then pointed out that the only revenues left for immediate disposal were the surplus of the Indirect Contributions and the surplus revenue of Eastern Roumelia, which, taken together, would not produce more than £T. 540,000 a-year, thus allowing little more than a half per cent on the issue price of the debt.

In view of the insufficiency of this amount, the Delegates applied to the Galata bankers to facilitate arrangement by accepting from the Government a smaller sum than that which they now receive as a first charge on the Indirect Contributions.

The bankers, who have reasons of their own for wishing to release the large amount of their capital now locked up, and whose interest it is therefore to help the Delegates, have expressed their readiness to accept a lesser annuity than the £T. 1,100,000 which they now receive; on condition, however, that they get a proportionate extension of the term of eight years during which it is to run.

I believe the amount of this diminution has not, so far, been settled, but the Delegates seem to hope that from this source they will obtain about another £T. 500,000. This would enable them at once to dispose of a revenue of about £T. 1,000,000, thus ensuring the payment of 1 per cent interest on the issue price of

the funded debt; and in the future they count on the natural increase of the Indirect Contributions, as well as on the improvements which may be hoped for in the other sources of revenue to be allotted to them, to enable them to improve the rate of this interest.

In laying before your Lordship this brief summary of the negotiations pending between the Porte and the Delegates of the bondholders, I must remind Her Majesty's Government that the difficulties still in the way of an arrangement are very great.

The floating debt and the Russian indemnity may both prove obstacles to a settlement. At the last conference between the Turkish Committee and Mr. Bourke and his colleagues an endeavour was made by the Ottoman Representatives to saddle the proposed arrangement with a reference both to the floating debt and to the Russian indemnity. Mr. Bourke at once announced, especially in reference to the latter point, that if an attempt was made to complicate the negotiations by such an extraneous reference, he would break off the negotiation.

I have already informed your Lordship that several ominous observations have dropped from M. Novikoff in regard to the Russian indemnity, all tending to imply that, however willing his Government might be to allow Turkey to deal with the existing hypothecations, Russia would consider she had a right to interfere in regard to any new ones.

Mr. Bourke contends, in opposition to these covert menaces, that, inasmuch as several of the loans have been secured upon the entire revenues of Turkey from whatever source they may be derived, as has been expressly stated on the back of the bonds themselves, there can be no fresh hypothecation.

The intimation attributed to the Russian Ambassador may perhaps have had reference to the revenues which hereafter might be derived from a "Loi de Patente," and from a revision of the Customs duties, upon both of which, as your Lordship will perceive from the second statement, the Turkish Government has invited the bondholders to count. His Excellency may also have had in his mind the income derived from the tributes.

I have, &c.
(Signed) DUFFERIN.

Inclosure in No. 211.

Montant de la Dette Consolidée de l'Empire, non compris les Emprunts garantis par le Tribut d'Égypte.

[541]

Solde du Capital Nominal.	Solde du Capital Réduit aux Prix d'Emission.	Coupons arriérés jusqu'à la fin de 1296.	Coupons arriérés réduits aux Prix d'Emission.
£ st.	£ st.	£ st.	£ st.
190,966,230	88,564,571	51,233,243	24,836,868
25,531,892	11,810,946	6,849,805	3,320,619
165,434,338	76,723,628	44,383,438	21,316,219

Parts de la dite Dette revenant aux pays sous-indiqués proportionnellement à la moyenne des Recettes de l'Empire pendant cinq années depuis 1288 jusqu'en 1292 inclusivement, moyenne qui s'élève à 1,819,884,529 piastres par an, non compris les Tributs d'Égypte et des autres provinces privilégiées.

Du Solde Nominal.	Du Solde, aux Prix d'Emission.	Des Coupons Impayés.	Des mêmes Coupons calculés aux Prix d'Emission.	
£ st.	£ st.	£ st.	£ st.	
17,750,786	8,232,297	4,762,257	2,308,648	Part de la Bulgarie, calculée proportionnellement à la moyenne de ses recettes quinquennales de 1288 à 1292; soit, 169,162,794 piastres.
3,780,450	1,753,262	1,014,235	491,681	Part de la Serbie, calculée proportionnellement à la moyenne des recettes quinquennales durant la dite période, des territoires à elle cédés; soit, 36,627,225 piastres.
3,822,919	1,772,958	1,025,629	497,204	Part de la Grèce, calculée proportionnellement à la moyenne des recettes quinquennales, pendant la même période, des territoires à elle cédés; soit, 36,131,954 piastres.
177,737	82,429	47,684	23,116	Part du Monténégro, calculée proportionnellement aux revenus de l'année 1292, des territoires cédés à cette Principauté; soit, 1,693,813 piastres.
25,531,892	11,810,946	6,849,805	3,320,619	

Revenus affectés au Solde restant de la Dette Consolidée.

£ T. 300,000 Reliquat du produit des Six Contributions Indirectes, soit :—
£ T. 1,400,000 produit net en or, réalisable par l'Administration des Six Contributions, pendant l'Exercice commençant du 1er Janvier, 1296, et finissant au 31 Décembre, 1297, déduction faite des traitements et des frais d'après les données fournies par la dite Administration.
1,100,000 somme annuelle attribuée aux banquiers de Galata, à valoir sur leurs créances aux termes de la Convention du 1/13 Décembre, 1879.
300,000

240,000 Excédant des revenus de la Roumélie Orientale.
130,000 Excédant des revenus de l'Ile de Chypre.
424,903 Tribut de la Bulgarie. (Bien que le chiffre de ce tribut doive être déterminé ultérieurement par les Puissances, on a néanmoins cru pouvoir l'évaluer à £ T. 424,903 d'après le même calcul proportionnel adopté pour la redevance annuelle de la Roumélie Orientale, laquelle a été fixée à £ T. 240,000, en prenant pour base le revenu de ce vilayet pour l'année 1292, soit, 95,548,875 piastres.)
370,527 Excédant des recettes à provenir de la révision des Traités de Commerce. (Le chiffre de cet excédant est conforme à l'évaluation faite par la Commission instituée *ad hoc* à l'Administration Centrale des Douanes de l'Empire.)
.. Excédant des recettes à provenir de l'application de la Loi sur les Patentes. (La mise en circulation de cette loi n'étant pas encore décidée, on a dû laisser en blanc le chiffre de l'excédant à prévoir de ce chef.)

1,465,430
197,602·90 A déduire la portion du service de l'Emprunt de 1855, non couverte par le tribut d'Égypte; soit £ st. 61,752 en intérêts, plus £ st. 97,887, en fonds d'amortissement: total, £ st. 179,639 (à 110 piastres par £ st., = £ T. 197,602·90).

1,267,827·10

No. 212.

The Earl of Dufferin to Earl Granville.—(Received September 26.)

E
(No. 822.)

My Lord, *Therapia, September 20, 1881.*

AT a conference on the 17th instant, M. Novikoff announced, in reference to the question of the Bulgarian tribute and the apportionment of the Bulgarian debt, that he had received an instruction from M. de Giers, the Russian Secretary of State, requesting him to bring to the notice of his colleagues the following points:—

(1.) That it would be impossible to apportion the debt in question without an accurate knowledge of the total debt of Turkey;

(2.) That he knew no other way of obtaining an accurate knowledge of the debt of Turkey except through the instrumentality of the Financial Commission recommended by the 18th Protocol of the Congress of Berlin; and

(3.) That Servia and Roumania would furnish convenient precedents in reference to the question of tribute.

M. Novikoff further informed us that M. de Giers was in communication with the other European Governments upon these points. This announcement seemed at once to put a stop to any inclination which the other Representatives might have had to discuss the matter further; and I consequently contented myself with observing that I did not think there would be any practical difficulty in arriving at an absolute knowledge of the total funded debt of Turkey, as well as at a pretty trustworthy estimate of all her other obligations, outside of the floating debt.

The Prince of Bulgaria confidentially informed an acquaintance of mine, in reference to this subject, that the Bulgarian Government was quite determined not to allow any portion of the Turkish debt to be imposed on Bulgaria, on the ground that none of the sums obtained from the loans forming the debt had been expended upon the Principality.

The Foreign Minister complained to me very bitterly yesterday of the difficulties which the Russian Ambassador was throwing in the way of the settlement of the Bulgarian obligations.

From the general tone of M. Novikoff's language, I gather that Russia is quite determined that Bulgaria shall pay nothing on account of the debt, and as little as possible on account of the tribute.

I have, &c.
(Signed) DUFFERIN.

No. 213.

M. Davydow to Earl Granville.—(Received September 26.)

M. le Comte, *Londres, le 26 Septembre, 1881, soir.*

RENTRÉ à Londres, il m'est venu un scrupule—c'est de n'avoir peut-être pas bien compris la phrase Anglaise par laquelle vous avez résumé ce que j'ai eu l'honneur de vous exposer.

Je me permets par conséquent de récapituler ce que j'ai dit à votre Excellence.

M. de Giers m'avait chargé de prier votre Excellence de munir le Représentant Britannique d'instruction au sujet de la question du tribut Bulgare.

Je crois avoir bien compris ce que vous m'aviez lu à ce sujet. Mais ensuite, je me suis permis d'exposer à votre Excellence notre point de vue sur l'indemnité de guerre qui nous est due; je crois devoir le répéter aussi brièvement que possible pour éviter un malentendu. Tout en reconnaissant le droit de priorité des anciennes dettes de la Turquie, le Gouvernement Impérial a pris rang par ordre de date parmi les créanciers de la Turquie et ne saurait par conséquent lui reconnaître le droit d'hypothéquer des revenus qui n'existaient pas ou ne se trouvaient pas encore engagés à l'époque du Traité de Berlin, aussi longtemps que les ressources qui doivent garantir notre indemnité de guerre n'auront pas été convenues.

Ce n'est qu'en rentrant que j'ai trouvé votre aimable télégramme m'invitant à venir à Walmer et à y rester. J'ai profité de la première partie de l'invitation et regrette beaucoup que la course que je vais faire à Longleat m'ait empêché de profiter de l'autorisation de rester.

J'ai décidément raison de dire que je porte la pluie avec moi; il paraît qu'il a fait très beau à Londres aujourd'hui.

Veuillez, &c.
(Signé) A. DAVYDOW.

No. 214.

Earl Granville to Mr. Wyndham.

E
(No. 354.)

Sir, *Walmer Castle, September 26, 1881.*

THE Russian Chargé d'Affaires came to Walmer Castle to-day for the purpose of speaking on the subject of the financial negotiations now going on at Constantinople.

He stated that his Government in no way wished to interfere with the just rights of the bondholders, or to embarrass the progress of the negotiations, but there were certain reservations which they felt obliged to make.

The Porte could not dispose of that which did not at present exist. The amount of the tribute to be paid by Bulgaria could not be decided by Turkey alone; it could only be settled by the Porte and the Powers together, in the manner provided in the Treaty of Berlin. Similarly, the proportion of the Ottoman debt to be assumed by Bulgaria was a matter to be decided by the same method, and this amount ought to be ascertained before the question of the tribute was raised. As soon as the total amount of the debt had been declared, and the proportion of it to be assigned to Bulgaria had been fixed, it would be easy and natural to assess the amount of the Bulgarian tribute on the same principles on which the Servian and Roumanian tributes had formerly been settled, at a time when those Principalities had no liability for any portion of the debt.

M. Davydow said he was instructed to express the hope of his Government that instructions in the above sense would be sent to Lord Dufferin.

As to the war indemnity owing to Russia, M. Davydow said that his Government entirely recognized the obligation imposed upon them by the Treaty of Berlin, and that they admit the prior claims of the bondholders to securities which are already pledged to them; but they contended that Russia had taken a position in order of date among the creditors of Turkey, and they could not recognize the right of the Porte to hypothecate revenues which did not exist, or which were not pledged at the time of the Treaty of Berlin, so long as there had been no arrangement as to the securities to be given for the payment of the indemnity.

I told M. Davydow that I understood that M. Novikow had made a declaration to the same effect as the above to a meeting of the Ambassadors at Constantinople, and that I deferred giving him an answer for the present.

I am, &c.
(Signed) GRANVILLE.

No. 215.

Earl Granville to Count d'Aunay.

M. le Chargé d'Affaires, *Foreign Office, September 29, 1881.*

WITH reference to the inquiry which you made personally at this Department on the 22nd instant, as to whether Her Majesty's Government had approved a protest which you understood to have been made by the British and French Representatives at Constantinople against the Guaranteed Loan of 1855 being classed with the general obligations of the Porte, I have the honour to inform you that Her Majesty's Government are not aware of any note in this sense having been sent in by Her Majesty's Ambassador.

An identic note, of which a copy is inclosed herewith,* was addressed to the Porte by Mr. Goschen and M. Tissot on the 30th April last, asking that the revenue derived from the customs of Smyrna and Syria might, in accordance with the Convention of 1855, be charged with the interest and sinking fund of the loan.

The only other joint note referring to the loan which, as far as I am aware, has been sent to the Porte since that date was dated the 29th ultimo, and called the atten-

* Inclosure in No. 141.

tion of the Ottoman Government to their failure to provide the interest due on the 1st of the same month.

A copy of this note, as sent home by Lord Dufferin, is inclosed.*

I have, &c.
(Signed) GRANVILLE.

No. 216.

The Earl of Dufferin to Earl Granville.—(Received September 30.)

(No. 381.)
(Telegraphic.) *Constantinople, September 29, 1881, 3·45 P.M.*

RUSSIAN Ambassador presented a note to the Porte yesterday in the sense foreshadowed in my despatch No. 822 of the 20th instant. He makes no effort to interrupt pending negotiations with bondholders, but objects to hypothecation of new revenues, such as the Bulgarian tribute, to service of public debt.

He calls attention to the Porte's declarations in respect of Russian war indemnity in the note of the 3rd October, and in the invitations to the bondholders.

No. 217.

The Earl of Dufferin to Earl Granville.—(Received October 3.)

E
(No. 843. Very Confidential.)
My Lord, *Therapia, September 27, 1881.*

IN reference to my despatch No. 800 of the 12th instant, I have the honour to forward, for your information, a private confidential *aide-mémoire*, which M. Novikow has sent to his colleagues, in reference to the question of the proportion of the debt and of the tribute due by Bulgaria. I have already acquainted your Lordship with M. Novikow's verbal exposition of the views of his Government on this subject, of which this *aide-mémoire* appears to be a résumé.

In suggesting as precedents the cases of Servia and Roumania before the late war as a basis for the valuation of the tribute to be paid by Bulgaria, M. Novikow adopts a principle which the Ottoman Government will probably dispute, as the payments made by the two provinces referred to were very insignificant.†

I have, &c.
(Signed) DUFFERIN.

Inclosure in No. 217.

Confidential Aide-Mémoire.

LA situation financière et économique de la Bulgarie ne serait complètement élucidée vis-à-vis de la Porte qu'après la fixation de la quote-part de la dette Ottomane mise à la charge de la Principauté par l'Article IX du Traité de Berlin. Il s'agirait donc, avant tout, de fixer le bilan des dettes de l'Empire Ottoman lui-même. Une Commission internationale avait été recommandée à cet effet par le Protocole No. 18 du Congrès de Berlin.

Ce n'est qu'à la suite de ces opérations qu'il serait possible de procéder à l'évaluation du tribut Bulgare d'une manière équitable. Les paiements de la Serbie et de la Roumélie à la Turquie avant la dernière guerre pourraient offrir alors une base solide pour une pareille évaluation. Il suffirait de déterminer leur proportion comparativement au Budget des deux pays et de faire le même calcul en rapport avec le Budget Bulgare.

Ni le tribut de l'Egypte, comme province Musulmane, ni le tribut de la Roumélie Orientale, qui ne supportait aucune charge spéciale en vertu d'une quote-part de la dette publique de la Turquie, ne sauraient servir de précédent dans cette circonstance.

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* Inclosure in No. 202.

† Sum paid by Provinces before the late war:—Roumania, estimated at £T. 36,785; Servia, estimated at £T. 20,010; amount of tribute estimated by the Turks for Bulgaria, in Memorandum communicated by Mr. Bourke, £T. 421,202.

No. 218.

The Earl of Dufferin to Earl Granville.—(Received October 6.)

(No. 388.)
(Telegraphic.) *Constantinople, October 5, 1881.*

MINISTER for Foreign Affairs has requested me to inform your Lordship that the Russian Ambassador has laid claim to the Bulgarian tribute as a security for the war indemnity.

His Excellency fears that it is the intention of Russia, when once she has obtained this concession, to allow the annual payments to remain not collected for a certain number of years, in order to enable her eventually to lay her hands on the province. His Excellency hopes your Lordship will give this matter your serious attention.

No. 219.

Lord Tenterden to the Law Officers of the Crown and Dr. Deane.

Gentlemen, *Foreign Office, October 14, 1881.*

I HAVE the honour to transmit to you herewith a copy of a telegram from Her Majesty's Ambassador at Constantinople,* reporting that the Russian Ambassador has laid claim to the Bulgarian tribute as a guarantee for the war indemnity which was imposed on Turkey by the XIXth Article of the Treaty of San Stefano, a copy of which Treaty is inclosed herein.

In the last paragraph but one of Article XIX it is stipulated that the guarantee for the indemnity should be settled by an understanding between Russia and the Porte. The question of this indemnity formed the subject of discussion in the Congress of Berlin, as recorded in Protocol 11. You will find the remarks and reserves made by the various Plenipotentiaries at pp. 162–165 of the inclosed Parliamentary Paper,† and you will observe that Prince Gortchakow, the First Russian Plenipotentiary, gave an assurance (p. 162) that the guarantee referred to implied no territorial acquisition whatever, and would be settled between the two Governments *en dehors* of all such acquisition, and further (p. 165), that the war indemnity should not affect the interests of the creditors of the Porte. The Second Russian Plenipotentiary, Count Schouvaloff, made similar declarations, and stated that the situation of the loans guaranteed by Great Britain and France would remain the same as before the war. In reply to Count Corti, the First Italian Plenipotentiary, his Excellency observed that the intention of Russia was to respect legal rights, that is to say, all prior hypothecations (p. 164). The President, at the close of the discussion, observed that the rights of the Turkish bondholders having been upheld by Great Britain and France, the declarations of Russia, relative to the priority of hypothecations, appeared satisfactory (p. 165).

By Article IX of the Treaty of Berlin it is stipulated "that the amount of the annual tribute which the Principality of Bulgaria shall pay to the Suzerain Court, such amount being paid into whatever bank the Porte may hereafter designate, shall be fixed by an agreement between the Powers Signatory of the present Treaty at the close of the first year of the working of the new organization. This tribute shall be calculated on the mean revenue of the territory of the Principality.

"As Bulgaria is to bear a portion of the public debt of the Empire when the Powers fix the tribute, they shall take into consideration what portion of that debt can, on the basis of a fair proportion, be assigned to the Principality."

I transmit a copy of the Treaty of Berlin.‡

Owing to the delay of the Porte in giving its formal sanction to the final acts of the International Boundary Commission which drew the line of the Bulgarian frontier as laid down in the IInd and XLVIth Articles of the Treaty, the formal recognition of the boundaries of the Principality was not complete till quite recently, and it was only on the 31st August last that Her Majesty's Government was in a position to authorize Lord Dufferin to join with the Representatives of the other Great Powers at the Porte in the consideration of the subject of the financial obligations of Bulgaria with regard to tribute and the Ottoman debt.

No charge or lien on the Ottoman revenues was created by the Treaty of San Stefano as a guarantee for the payment of the war indemnity. The Russian Government state that they admit the prior claims of the Turkish bondholders to the securities which are

* No. 218. † "Turkey No. 39 (1879)." ‡ "Turkey No. 44 (1878)."

already pledged to them, but they contend that Russia has taken a position in order of date among the creditors of Turkey and that they cannot recognize the right of the Porte to hypothecate revenues which did not exist or were not pledged at the date of the Treaty of Berlin, so long as there has been no arrangement as to the securities to be given for the payment of the war indemnity.

It would appear, therefore, that the Russian Government do not consider that the charge created on the entire revenues of Turkey, from whatever source they may be derived, in favour of certain bondholders, as expressly stated on the back of the bonds themselves, and in favour of Great Britain and France, under the Convention relative to the Turkish Loan of 1855, attaches to the Bulgarian tribute, because such tribute did not exist and formed no part of the Ottoman revenues at the time when such charge was created.

I am to request that you will favour Earl Granville with your opinion as to the validity of the preferential claim put forward by Russia to the Bulgarian tribute.

I am, &c.
(Signed) TENTERDEN.

No. 220.

Assim Pasha to Musurus Pasha.—(Communicated to Earl Granville by Musurus Pasha, October 15.)

(Télégraphique.) *Constantinople, le 13 Octobre*, 1881.

LA question de la fixation du tribut de la Bulgarie demeure toujours en suspens. Veuillez renouveler vos démarches d'une manière pressante pour hâter l'accord prévu par l'Article IX du Traité de Berlin.

No. 221.

The Earl of Dufferin to Earl Granville.—(Received October 17.)

(No. 880.)
My Lord, *Therapia, October 8*, 1881.

I HAVE the honour to transmit herewith to your Lordship a copy of a despatch which I have received from Her Majesty's Consul at Trebizond, announcing that the Porte has recently ordered the execution, within a month, of the Firman issued in March last, enacting that a forced loan of one year's taxation should be levied on landed property.

Your Lordship will, however, see from the post-scriptum that the operation of the edict has been suspended provisionally.

I have, &c.
(Signed) DUFFERIN.

Inclosure in No. 221.

Consul Billiotti to the Earl of Dufferin.

My Lord, *Trebizond, September 24*, 1881.

I HAVE the honour to report that the Porte has quite recently ordered the execution, within a month, of the Firman issued in March last, enacting that a forced loan of one year's taxation should be levied on landed property.

The Government bonds given in 1876 against another forced loan raised in that year are to be accepted by the Treasury at a quarter of their original value.

It is reckoned that this province will furnish 6,000,000 piastres, of which 1,500,000 piastres in gold, and 1,500,000 piastres in the fore-mentioned bonds.

In the course of my despatch of the 9th July, 1880, I have described at great length the unhappy financial condition of the populations at large in this vilayet, a condition which is far from having ameliorated; but there is a particular class, that of tenants, on whom the forced loan would fall quite unlawfully, owing to the land taxation being paid by them in ordinary times.

I beg leave to call your Lordship's attention to this point, which I have treated in detail in my despatch of the 19th March last.

I have, &c.
(Signed) ALFRED BILIOTTI.

P.S. *September 26.*—I have just heard from Yussuf Pasha that he has been instructed to suspend the collection of the forced loan until further orders.

A. B.

No. 222.

The Earl of Dufferin to Earl Granville.—(Received October 17.)

(No. 893.)
My Lord, *Therapia, October 10*, 1881.

I HAVE reason to believe that the delegates of the bondholders have represented to the Turkish Commissioners for the Public Debt that, inasmuch as difficulties, delays, and political complications may impede the realization of two of the sources of revenue it is proposed to assign the bondholders, namely, the tributes of Cyprus and Bulgaria, it would facilitate the pending negotiations if the Turkish Government would add to the six indirect contributions and to the surplus revenue of Eastern Roumelia some other items of income.

The proceeds of the six indirect contributions, and of the surplus revenue of Eastern Roumelia, I need not remind your Lordship, would only return 1 per cent. upon the issue price of the funded debt.

I have, &c.
(Signed) DUFFERIN.

No. 223.

Earl Granville to Sir E. Thornton.

E.
(No. 369.)
Sir, *Walmer Castle, October 19*, 1881.

THE Russian Ambassador paid me a visit yesterday at Walmer Castle, and had some conversation with me on public affairs. His Excellency asked me whether Her Majesty's Government had come to any decision upon the communication which he had made to me with regard to the Bulgarian tribute.

I said that we were examining the subject; that Lord Dufferin had reported to us the statement which had been made by M. de Novikow to the Ambassadors at Constantinople; and that I had informed him, in reply, that in the opinion of Her Majesty's Government the first step to be taken in the matter was that the Porte should invite the Representatives of the Powers at Constantinople to proceed with the discussion and settlement of the amount of the tribute to be paid by Bulgaria, and the proportion of the public debt of Turkey to be assigned to the Principality.

I am, &c.
(Signed) GRANVILLE.

No. 224.

Lord Tenterden to the Law Officers of the Crown and Dr. Deane.

Gentlemen, *Foreign Office, October 19*, 1881.

I AM directed by Earl Granville to state that your Report on the reference which was made to you by his Lordship's direction on the 14th instant as to the validity of the preferential claim of Russia to the Bulgarian tribute, may, his Lordship presumes, be framed on the hypothesis that the bonds of certain Turkish loans anterior to the date of the Treaty of San Stefano constitute a charge on the whole revenues of Turkey, for such appears to be the case with regard to the Loan of 1858, as shown by the Firman of the 26th November of that year, and by the Firman respecting the Loan of 1862, as well as from the terms of the bond for that loan.

Copies of the Firmans and bond will be found at the pages marked in the accompanying volume.

I am, &c.
(Signed) TENTERDEN.

No. 225.

Assim Pasha to Musurus Pasha.—(*Communicated to Earl Granville by Musurus Pasha, October* 22.)

(Télégraphique.) *Constantinople, le* 20 *Octobre*, 1881.

L'EXCÉDANT des revenus de Chypre figure, votre Excellence ne l'ignore pas, parmi les recettes affectées au service de la Dette Publique Ottomane. Le Gouvernement Impérial ne saurait détourner sans inconvénient ces revenus de leur destination; il est obligé de les tenir toujours à la disposition des détenteurs de nos fonds.

No. 226.

The Earl of Dufferin to Earl Granville.—(*Received October* 23.)

(No. 913.)
My Lord, *Constantinople, October* 14, 1881.

I HAVE the honour to transmit herewith to your Lordship a copy of a *note verbale* which, in compliance with the request contained in your Lordship's despatch No. 668 of the 26th ultimo, I have addressed to the Sublime Porte, on the subject of the repayment by the Ottoman Government of the sums advanced by Her Majesty's Government for the ransom of Colonel Synge and Mr. Suter.

I have, &c.
(Signed) DUFFERIN.

Inclosure in No. 226.

The Earl of Dufferin to Assim Pasha.

M. le Ministre, *Therapia, October* 10, 1881.

ON the 26th May last my predecessor addressed a note to your Excellency in which, according to instructions he had received from Her Majesty's Government, he reminded the Sublime Porte that the formal engagements it had taken relative to the repayment of Colonel Synge's ransom were still unfulfilled.

Since that note was written a further sum of 15,000 liras has been advanced by Her Majesty's Government for the release of Mr. Suter, and though the Sublime Porte, in answer to a representation from Her Majesty's Embassy, declined to accept any responsibility for that gentleman's capture, Her Majesty's Government cannot admit that Mr. Suter's case stands on different grounds from that of Colonel Synge. Both were owing to the neglect of the Ottoman Government to provide sufficient protection for peaceful inhabitants or to take the steps necessary for the suppression of brigandage, and it cannot be expected that the payments, which were rendered necessary in both cases by this neglect, should be borne by the English Government.

I have accordingly now been instructed by Earl Granville to request his Excellency to cause immediate orders to be given for the repayment of the two ransoms, amounting in all to 25,040*l.* 15*s.* 11*d.*

This amount is arrived at in the following manner:—

	£	*s.*	*d.*
COLONEL SYNGE.			
Ransom	10,855	1	3
Watches, &c.	42	18	0
Brokerage	129	18	0
Expenses	163	13	3
MR. SUTER.			
Ransom	13,636	0	0
Brokerage	133	12	3
Expenses	90	0	8
Total	25,040	15	11

In thus communicating to the Sublime Porte the views of my Government, I venture to express the hope that your Excellency will give this matter your most prompt and earnest consideration, as it is with great regret that Her Majesty's Government would see themselves compelled to resort to such means as are at their disposal for the recovery of the sums demanded.

I am, &c.
(Signed) DUFFERIN.

No. 227.

The Law Officers of the Crown and Dr. Deane to Earl Granville.—(*Received October* 24.)

My Lord, *Temple, October* 24, 1881.

WE are honoured with your Lordship's commands signified in Lord Tenterden's letter of the 14th instant, stating that he had the honour to transmit to us copy of a telegram from Her Majesty's Ambassador at Constantinople, reporting that the Russian Ambassador had laid claim to the Bulgarian tribute as a guarantee for the war indemnity which was imposed on Turkey by the XIXth Article of the Treaty of San Stefano, a copy of which Treaty was inclosed. That, in the last paragraph but one of Article XIX it was stipulated that the guarantee for the indemnity should be settled by an understanding between Russia and the Porte.

That the question of that indemnity formed the subject of discussion in the Congress of Berlin, as recorded in Protocol No. 11; that we should find the remarks and reserves made by the various Plenipotentiaries at pp. 162-165 of the inclosed Parliamentary Paper; and that we should observe that Prince Gortchakow, the First Russian Plenipotentiary, gave an assurance (p. 162) that the guarantee referred to implied no territorial acquisition whatever, and would be settled by the two Governments *en dehors* of all such acquisition; and, further (p. 165), that the war indemnity should not affect the interests of the creditors of the Porte. That the Second Russian Plenipotentiary (Count Schouvalow) made similar declarations, and stated that the situation of the loans guaranteed by Great Britain and France would remain the same as before the war. In reply to Count Corti, the First Italian Plenipotentiary, his Excellency observed that the intention of Russia was to respect legal rights, that is to say, all prior hypothecations (p. 164). That the President, at the close of the discussion, observed that the rights of the Turkish bondholders having been upheld by Great Britain and France, the declaration of Russia relative to the priority of hypothecations appeared satisfactory (p. 165). That, by Article IX of the Treaty of Berlin, it was stipulated "that the amount of annual tribute which the Principality of Bulgaria shall pay to the suzerain Court, such amount being paid into whatever bank the Porte may designate, shall be fixed by an agreement between the Powers signatory of the present Treaty at the close of the first year of the working of the new organization.

"This tribute shall be calculated on the mean revenue of the territory of the Principality.

"As Bulgaria is to bear a portion of the public debt of the Empire, when the Powers fix the tribute, they shall take into consideration what portion of that debt can, on the basis of a fair proportion, be assigned to the Principality."

That Lord Tenterden transmitted a copy of the Treaty of Berlin.

That, owing to the delay of the Porte in giving its formal sanction to the final Acts of the International Boundary Commission, which drew the line at the Bulgarian frontier as laid down in the IInd and XLVIth Articles of the Treaty, the formal recognition of the boundaries of the Principality was not complete till quite recently, and that it was only on the 31st August last that Her Majesty's Government was in a position to authorize Lord Dufferin to join with the Representatives of the other Great Powers at the Porte in the consideration of the subject of the financial obligations of Bulgaria with regard to tribute and the Ottoman debt.

That no charge or lien on the Ottoman revenues was created by the Treaty of San Stefano as a guarantee for the payment of the war indemnity.

That the Russian Government stated that they admitted the prior claims of the Turkish bondholders to the securities which were already pledged to them, but that they contended that Russia had taken a position in order of date among the creditors of Turkey, and that they could not recognize the right of the Porte to hypothecate revenues which did not exist or were not pledged at the date of the Treaty of Berlin, so long as there had been no arrangement as to the securities to be given for the payment of the loan indemnity.

That it would appear therefore that the Russian Government did not consider that the charge created on the entire revenues of Turkey from whatever source they might be derived, in favour of certain bondholders, as expressly stated on the back of the bonds themselves, and in favour of Great Britain and France, under the Convention relative to the Turkish Loan of 1855 attached to the Bulgarian Tribute, because such tribute did not exist and formed no part of the Ottoman revenues at the time when such charge was created.

That Lord Tenterden was to request that we would favour your Lordship with our opinion as to the validity of the preferential claim put forward by Russia to the Bulgarian tribute.

We are also honoured with a further letter from Lord Tenterden of the 19th instant, stating that he was directed by your Lordship to state that our report on the reference that was made to us by your Lordship's direction on the 14th instant as to the validity of the preferential claim of Russia to the Bulgarian tribute might, your Lordship presumed, be framed on the hypothesis that the bonds of certain Turkish loans, anterior to the date of the Treaty of San Stefano, constituted a charge on the whole revenues of Turkey; for such appeared to be the case with regard to the Loan of 1858, as shown by the Firman of the 26th November of that year and by the Firman respecting the Loan of 1862, as well as from the terms of the bond for that loan.

That copies of the Firmans and bond would be found at the page marked in the accompanying volume.

In obedience to your Lordship's commands we have the honour to report—

That we are of opinion that there is no ground for the preferential claim put forward by Russia to the Bulgarian tribute, and that such claim cannot be maintained.

When the creditors of Turkey lent money to that country they did so on the security of its general revenue, and, even in the absence of express words, such an hypothecation would include the then present and future revenues. We have not before us the terms of hypothecation of revenue in respect of all the loans, but the security given for that of 1862 was "the whole of the revenues of the Exchequer of my Imperial Government present and future."

It is also to be observed that the Bulgarian tribute must be regarded as being received by the Turkish Government in substitution of the revenue received from Bulgaria at the time the loans were contracted, and therefore it cannot be said that this payment of tribute is a new source of revenue, although even if it were, Russia would have no right to claim it.

We therefore think that Russia has no greater claim to appropriate the Bulgarian tribute than any other portion of the revenue of Turkey. Beyond these considerations the express declarations of the Russian Representatives at the Congress of Berlin form a complete answer to the claim now made. Consent was given at the Congress to that portion of the Treaty of San Stefano, which made Turkey liable to a money indemnity of 300,000,000 roubles only after statements by Count Schouvaloff "that Russia proposed to respect every anterior hypothecation," and by Prince Gortchakow, that "the indemnity of war will not affect the interests of the creditors of the Porte."

Both of which pledges would be broken if the claim now preferred by Russia be maintained.

We have, &c.
(Signed) HENRY JAMES.
FARRER HERSCHELL.
J. PARKER DEANE.

No. 228.

Earl Granville to the Earl of Dufferin.

(No. 726.)
My Lord, *Foreign Office, October 27, 1881.*

THE Turkish Ambassador called at this Office on the 22nd instant, and was informed by my direction of the opinion of Her Majesty's Government in regard to the question of the Bulgarian tribute, in accordance with the views expressed in my despatch to Sir E. Thornton No. 369 of the 19th instant,* a copy of which has already been transmitted to your Excellency.

I am, &c.
(Signed) GRANVILLE.

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* Will be found in General Print.

No. 229.

The Earl of Dufferin to Earl Granville.—(Received October 30.)

(No. 933.)
My Lord, *Constantinople, October 22, 1881.*

I HAVE the honour to transmit herewith to your Lordship an extract from the "Turquie," giving an account of the meeting of the Financial Commission on the 20th instant, when the Ottoman Delegates made a declaration with regard to the Cyprus and Bulgarian tributes.

I have reason to believe that this account is correct.

I have, &c.
(Signed) DUFFERIN.

Inclosure in No. 229.

Extract from "La Turquie" of October 21, 1881.

À LA séance de la Commission Financière, tenue hier à la Sublime Porte, après l'adoption du procès-verbal de la réunion précédente, son Excellence Server Pacha a déclaré, au nom du Gouvernement, que des négociations avaient lieu entre la Sublime Porte et les Gouvernements d'Angleterre et de France au sujet de la redevance de Chypre. Il a ajouté qu'à l'issue de ces négociations qui amèneraient une entente, le Gouvernement serait en mesure de mettre le tribut de Chypre à la disposition de ses créanciers.

Pour ce qui concerne le tribut de la Bulgarie destiné à être affecté au service de la dette publique, le Délégué Ottoman a déclaré que, dans le cas où ce tribut ne serait pas disponible, le Gouvernement fournirait une somme équivalente à prendre soit sur la dîme des tabacs soit sur d'autres revenus de l'Etat.

A la suite de ces déclarations, la délibération s'est portée sur le taux des emprunts qui sera pris pour base du nouveau Règlement. Là-dessus, la discussion a été très animée et n'a pas amené de résultats. Le Gouvernement, conformément au travail présenté par M. Wettendorf, a insisté pour fixer le montant futur de sa dette d'après le produit net des emprunts, tandis que les délégués étrangers tiennent à s'en rapporter aux cours d'émission, c'est-à-dire aux taux fixés dans les prospectus de souscription.

Une entente n'ayant pu s'établir sur ce point, il a été décidé de dresser un tableau détaillé de chaque emprunt comprenant le taux d'émission et le produit entré dans les caisses du Gouvernement. Ce travail sera soumis aux délégués à la prochaine séance de la Commission, qui aura lieu Lundi, le 24 de ce mois.

Il est à remarquer à ce sujet, que la différence entre les deux taux n'est pas très considérable et que, par conséquent, il y a motif de croire qu'on trouvera un moyen terme pour concilier les deux intérêts, en abandonnant le terrain des principes pour se placer sur celui des concessions réciproques, qui est le seul pratique.

No. 230.

The Earl of Dufferin to Earl Granville.—(Received October 30.)

(No. 944.)
My Lord, *Constantinople, October 25, 1881.*

I HAVE the honour to transmit herewith to your Lordship an extract from the "Levant Herald" of yesterday, giving an account of Mr. Bourke's audience with the Sultan on the 22nd instant.

I have, &c.
(Signed) DUFFERIN.

Inclosure in No. 230.

Extract from the "Levant Herald" of October 24, 1881.

MR. BOURKE'S AUDIENCE OF THE SULTAN.—On Saturday the Sultan received the Right Hon. Robert Bourke, M.P., in private audience. His Majesty conversed with Mr. Bourke for two hours on matters appertaining to the financial and economical condition of the country, showing his intimate knowledge of all the circumstances connected with the depression under which the Empire labours. His Majesty manifested the deepest interest in the mission which has brought Mr. Bourke to Turkey, and discussed its details with his wonted intelligence and perspicacity. The Sultan has the success of the mission

at heart, and His Majesty was pleased to manifest this to Mr. Bourke. To the bondholders this will be welcome news; they look to the Sultan to protect their interests, and when they are assured, as they now will be, that His Majesty is resolved that the present negotiations shall be brought to a satisfactory termination, all misgivings will be dissipated. The interview of the Sultan with Mr. Bourke proves beyond all doubt the intention of the Sovereign with regard to his mission, and this proof is all the more palpable as it comes towards the close of the negotiations. The country and all those who have dealings with it will, in the fulness of time, come to learn that their best and truest friend is the Sultan.

No. 231.

Earl Granville to the Earl of Dufferin.

(No. 486.)
(Telegraphic.) *Foreign Office, October* 30, 1881, 2·10 P.M.

THE newspapers state that a meeting of the Russian Indemnity Commission, composed of Assim and Server Pashas, the Russian Ambassador, and M. Thorner, was held on the 27th, and that Herr Gescher will take part in subsequent negotiations.

Is this so?

The Law Officers have been consulted with regard to the Bulgarian tribute, and are of opinion "that there is no ground for the preferential claim put forward by Russia, and that such claim cannot be maintained."

Instructions founded on their full Report will be sent to you.

No. 232.

The Earl of Dufferin to Earl Granville.—(Received November 1, 8 A.M.)

(No. 406.)
(Telegraphic.) *Constantinople, October* 31, 1881, 11·45 P.M.

I COMMUNICATED to-day, both to the Prime Minister and the Minister for Foreign Affairs, the intimation contained in your telegram No. 486, that in the opinion of Her Majesty's Government the Russians could not make a preferential claim on the Bulgarian tribute. They both expressed the greatest gratitude and satisfaction at this intimation, and Said Pasha observed that he regarded it as a singular proof of the friendly feeling of England towards Turkey. Assim Pasha expressed a hope that England would continue to help forward a just settlement of the Bulgarian tribute.

The Russian Ambassador assures me that Russia desires to make no special claim on the Bulgarian tribute. All that he contends for is that it should not be assigned to the bondholders until a settlement has been arrived at with regard to the war indemnity.

I believe various sources of revenue, such as the customs of merchandize, have been referred to by M. Thorner as acceptable securities.

No. 233.

The Earl of Dufferin to Earl Granville.—(Received November 1, 8 A.M.)

(No. 407.)
(Telegraphic.) *Constantinople, October* 31, 1881, 11·55 P.M.

YOUR telegram No. 486.

The first meeting of M. de Novikoff and M. Thorner with Assim Pasha and Server Pasha took place, not on Thursday the 27th, but on the day before yesterday, Saturday the 29th.

No definite proposals were made on either one side or the other, and the nature of the discussion is too [vague] to be described in a telegram. I am sending a general account of it by to-morrow's messenger.

There is no question at present of M. Gescher taking part in the proceedings.

The Turks suggested that the amount of the indemnity should be reduced, which the Russian Ambassador declared was impossible.

The Russian Ambassador then asked the Turks upon what revenues they proposed to secure the indemnity. The Ottoman Commissioners replied that they were not yet prepared to say.

The Russian Ambassador then repeated the demand, to which I have already referred in my telegram No. 381 of the 29th September, that the settlement of the war indemnity should be contemporaneous with that of the bondholders.

No. 234.

The Earl of Dufferin to Earl Granville.—(Received November 1, 11 P.M.)

(No. 408.)
(Telegraphic.) *Constantinople, November* 1, 1881, 7 P.M.

I HAVE come to a confidential understanding with the Porte that it should abstain from committing itself in any way to M. de Novikoff in reference to the indemnity question until after I shall have received the instructions promised in your Lordship's telegram No. 486.

No. 235.

Mr. Bramston to Lord Tenterden.—(Received November 2.)

My Lord, *Downing Street, October* 31, 1881.

I AM directed by the Earl of Kimberley to state that he has had under his consideration such of the questions arising out of the IIIrd Article of the Annex to the Cyprus Convention as specially affect the Colonial Department, and he now proposes to lay his conclusions thereon before Earl Granville.

2. In 1879 Sir Robert Biddulph was dispatched to Constantinople to confer with Representatives of the Turkish Government with a view to arriving at a definite agreement as to the amount of tribute to be paid by Great Britain to Turkey under the Convention; and his proceedings, which were detailed from time to time in Reports to the Marquis of Salisbury, were summed up in an elaborate and able Report dated the 24th June, 1879.*

3. This Report and the letter from the Treasury to the Foreign Office of the 16th February last are the two principal documents to which there will be occasion to refer in the subsequent portions of this letter.

4. As Lord Granville is aware, Sir Robert Biddulph quitted Constantinople without having been able to conclude any formal agreement with the Turkish Representatives.

On some points which had been in dispute unanimity was arrived at, but on others his conclusions are disputed by the Turkish Government, which has proposed a Commission, composed apparently of the officials or subjects of some third Government ("membres désintéressés") (p. 103 of Part II of Foreign Office Confidential Print "Cyprus"), a proposition which Lord Salisbury declined to entertain (p. 130 of same), though he suggested to the Turkish Government the dispatch to Cyprus of a Commissioner with full powers to discuss with Sir Robert Biddulph the questions remaining open (p. 134 of same).

5. Lord Kimberley concurs in Lord Salisbury's rejection of the proposal for a neutral Commission, but he does not think, having regard to the time which has elapsed and to the altered circumstances, that any advantage would accrue from further direct negotiations between the High Commissioner and a Representative of the Porte. The best course he conceives will be for Her Majesty's Government, after discussion between the Departments concerned, viz., the Foreign Office, Treasury, and Colonial Office, to form definite conclusions on the several points in dispute, and state those conclusions to the Turkish Government as final, leaving that Government to take such action upon them as it may seem fit.

6. The principal matters to be decided by Sir Robert Biddulph and the Turkish Representatives were (1) the amount of the average gross receipts of the Cyprus Treasury for the five years preceding the British occupation, and (2) the average deductions to be made therefrom in respect of local expenditure and on other grounds. Sir Robert Biddulph in fixing the average gross revenue of Cyprus at 16,790,010 piastres appears to have arrived at a conclusion which the Turkish Government is not prepared seriously to dispute.

7. He and the Turkish Representatives were also agreed as to certain of the deductions to be made from the gross receipts to the extent of 4,292,238 piastres, leaving a balance of 12,497,772 piastres, which the Turkish Government claims as the surplus payable under the Convention. Sir Robert Biddulph, however, holds that the deductions exceeded the amount admitted by the Turkish Representatives to the amount of 1,375,821 piastres. The principal item in dispute is the cost of the Turkish garrison of the island, which amounted on the average to 833,610 piastres a-year.

8. In justification of this deduction, Sir Robert Biddulph has expressed himself as follows: "My claim for reckoning the cost of the troops as part of the local

* Foreign Office Confidential Paper, "Cyprus, 1879-80," Part II, p. 71.

expenditure was based on the fact that they were a local force, recruited in Cyprus, who never served elsewhere, and were disbanded directly we occupied the island. The Porte contended that these troops were liable to foreign service, but I took the liberty to treat that contention as being useless for the reasons I have given" (p. 71 of Part II of Foreign Office Confidential Correspondence "Cyprus").

9. Lord Kimberley concurs in Sir Robert Biddulph's reasoning, to which he would only add the observation that the IIIrd Article of the Annexe to the Convention is silent as to any distinction between civil and military expenditure in Cyprus, and that as the corps was disbanded upon our occupation of the island, and thus ceased to be any expense to the Sultan, the deduction of its cost from the Cyprus surplus will not operate to "diminish," in Lord Salisbury's words, "the receipts passing into His Majesty's Treasury."

10. The observations of the Turkish Government in opposition to Sir R. Biddulph's view (which will be found at p. 105 of the Foreign Office Confidential Print, Part II, 1879-80), do not appear materially to alter the case.

11. The next principal item in dispute is the amount to be deducted from the sum payable under the Annexe to the Convention on account of land revenue. By the Convention itself it was intended to exclude the profits derived by the Porte under the head of land revenue, it being proposed, as provided by Article IV, that the Turkish Government should continue to deal with and enjoy the Crown lands.

12. This arrangement was found inconvenient, and by a Supplementary Convention of February 1879, concluded by Sir H. Layard on behalf of this country, the Crown land rights of the Turkish Government were bought up for a payment of 5,000*l.* a year. For the purposes of the negotiations between Sir H. Layard and the Turkish Government a Table was furnished by the Turkish Land Office at Constantinople, purporting to show that the average profits accruing to the Government from the lands of Cyprus had been 905,477 piastres. As a matter of fact they appear to have averaged about 400,000 piastres.

13. In the negotiations between Sir R. Biddulph and the Turkish Representatives, the former insisted on holding the Porte to the incorrect Table supplied to Sir H. Layard, while the latter insisted on the receipts being reckoned at their actual amount.

14. Lord Kimberley is of opinion that the Turkish Government should, as proposed by Sir Robert Biddulph, be held to its earlier Table, although he is aware that the Turkish Government will thus receive less by about 2,700*l.* a-year than if its agents had not attempted to deceive Her Majesty's Government, and if the whole surplus from land and all other sources had been bought up at full value. The details of the transaction are explained in a Memorandum prepared in this Office, of which I am to inclose a copy.

15. Passing to the third head on which there is a dispute between Sir R. Biddulph and the Turkish Government, namely, that relating to the Commercial Court at Larnaka, Lord Kimberley understands that the dispute arises in this way, that whereas, according to the accounts relied on by Sir R. Biddulph, the salaries and expenses of the Commercial Court exceeded the receipts by 36,002 piastres a-year, in the Constantinople accounts the receipts and expenses were always entered as exactly balancing one another; and this was in substantial accordance with the facts, the Turkish Government never paying the Judges and other officials any sums beyond the actual receipts, but leaving them to remunerate themselves from the Court receipts.

16. If this be the correct view, Lord Kimberley is inclined to think that the deduction made by Sir R. Biddulph should not be insisted on. Sir R. Biddulph strongly and successfully insisted in regard to the revenue receipts, that the actual receipts, and not the sums which ought to have been received, should be the basis of calculation, in short that the reckoning should be in accordance with facts and not with estimates and book accounts, and Lord Kimberley considers that the same rule should be applied to expenditure.

17. The foregoing observations apply to the deductions to be permanently made from the surplus. It has been, however, proposed also to make certain temporary deductions on account of obligations of the Turkish Government towards persons residing in Cyprus. These deductions are of two kinds, and both arise out of the Turkish Forced Loan of 1877.

18. One of them was tabulated by Sir R. Biddulph in his Tables presented to the Turkish Government in 1879.* It consists of the repayment to Cypriot tax-payers of 15 per cent. of the amount collected from them in the form of double Verghi in 1877.

* See Appendix B to his despatch of June 24, 1879, p. 74 of Part II of Confidential Paper "Cyprus."

19. The Turkish Government had promised to send to Cyprus, for the payment of these persons, coupons receivable for Customs duties at Turkish ports, and therefore saleable. But the coupons have never been sent to Cyprus, and Sir R. Biddulph has been paying such claims, at the rate of 15 per cent. per annum, as have been satisfactorily established by revenue records.

20. The other branch of the temporary deductions is on account of the deductions made from the salaries of civil servants as part of the forced loan. The total sum obtained from the civil servants in Cyprus was 182,115 piastres, but some of them have left Cyprus, and it is uncertain what amount is due to those remaining. The Porte ought, as in the case of the payers of double Verghi, to have furnished these persons with coupons. But it has neglected to do so, or (as Lord Kimberley understands) to make any reply to the representation on the subject addressed to the Turkish Government by Sir Edward Malet on the 12th April, 1879.

21. Lord Kimberley proposes to adhere to these temporary deductions until the obligations to the creditors of the Turkish Government residing in Cyprus are satisfied,* the Cyprus Government being instructed to deduct from each annual payment the sums paid during the year in respect of the forced loan, and furnishing in support a special account, showing the details of the repayments. The observations of the Turkish Government in regard to the deductions on account of the forced loan will be found in paragraph 7 of the second of the Memoranda which form the sub-inclosures to Sir H. Layard's despatch of the 17th August, 1879 (p. 107 of Part II.) It will be seen that those observations take no account of the failure of the Turkish Government to furnish the coupons to the contributors to the forced loan. If the Turkish Government were to make good the default in this respect, there would, of course, be no further occasion for continuing the deductions.

22. In regard to the important question of the rate at which the average surplus is to be converted into gold for purposes of payment, I am to observe that, while the greater part of the figures inserted by Sir R. Biddulph in the Tables which accompanied his despatch of the 24th June, 1879, represent métallique piastres, this is not the case in regard to part of the revenue and part of the expenditure for the year 1877-78. Sir R. Biddulph, with the acquiescence of the Turkish Government, reduced the tithes of that year, which were farmed out for a sum paid in caimé to their value in métallique, thus reducing them from over 11,000,000 caimé to over 5,000,000 métallique; but, for some reason which Lord Kimberley has failed to trace, he did not similarly convert into métallique the other items of revenue collected in caimé, nor did he distinguish between those portions of the Turkish expenditure which were in caimé and those which were in métallique. A similar question in regard to the receipts for 1876 was mooted in the last paragraph of the Treasury letter to the Foreign Office of the 16th February last, where it was suggested that possibly Sir R. Biddulph had not made sufficient allowance for the fact that the taxes of the autumn of 1876 were received generally in caimé. Sir Robert Biddulph has dealt with the matter in a despatch of the 11th May, and a letter of the 23rd August to the Colonial Office, of which copies are inclosed. He has not noticed the particular point raised by the Treasury letter as to the taxes of 1876, possibly because caimé, which were first issued in that year, did not immediately fall greatly in value; but the suggestion in the Treasury letter has led him to draw attention to, and explain the importance of, the fact that the figures in the Tables of 1877-78, to a great extent, represent caimé which in that year were much deteriorated in value. The number of caimé piastres in the receipts is stated by Sir R. Biddulph at 7,701,779, and the amount of caimé piastres in the expenditure he estimates at 2,500,000. Lord Kimberley has instructed him to furnish an exact statement of these figures from the accounts in Cyprus, and also a statement of the average value of caimé during the financial year 1877-78.

23. When he has furnished this information, the exact balance of caimé receipts over expenditure should be reduced to métallique value, and one-fifth of the difference between the number of métallique and the number of caimé piastres thus obtained should be deducted from the sum representing the average surplus according to the figures previously given by Sir R. Biddulph. When the whole of the figures are thus converted into the common denomination of métallique, the next step will be to convert them into gold at the average value of the métallique piastre to the £T. during the five years preceding the British occupation, according to the view already agreed to by the Departments of Her Majesty's Government concerned in this transaction. Lord Kimberley is aware that on three occasions, the particulars of which are

* See p. 488 of Foreign Office Correspondence "Cyprus, 1878-79," Part I.

noted in the margin,* his Excellency Assim Pasha has claimed that the métallique piastre should be converted at its nominal legal rate of 100 to the Turkish piastre; but as it is notorious that the Turkish Government could not at the time have obtained a £ T. for 100 métallique piastres collected in Cyprus, Lord Kimberley concurs in the view already expressed by Mr. Goschen to Assim Pasha, that the claim is inadmissible, it being, in his Lordship's judgment, at variance with the principle by which these questions must in general be solved, namely, the value of the Cyprus surplus to the Turkish Treasury before our occupation.

24. In his despatch of the 11th May Sir R. Biddulph has forwarded a long Table of quotations of the value of métallique for the five years preceding our occupation. There are about forty-three entries for each year, and though they do not represent the value for absolutely regular periods, Lord Kimberley considers them sufficient and fair for the present purpose, and he would propose that the average value which they show, viz., 108 métallique piastres 10 paras to the £ T. be accepted and used in working out the exact sum to be offered to the Turkish Government.

25. The tribute for 1879-80 is to be converted, by agreement, at the rate of 120 piastres to the £ T. The sum already mentioned as representing the conversion at this rate, viz., 85,000*l.*, has been refused by the Turkish Government except in the light of a payment on account. It is, in fact, an excessive payment upon any view of the relative value of the £ T. and £ sterling; but the objection of the Turkish Government is understood to be founded upon its refusal to agree to certain of Sir Robert Biddulph's deductions. In the main, it will be seen from this letter that Lord Kimberley considers that Sir R. Biddulph's objections should be upheld, the only exception being the deduction on account of the Commercial Court at Larnaka. If the Lords of the Treasury and Lord Granville concur with him in these views, it will only remain to inform the Turkish Government that, subject to the alteration of the figures consequent on the change of view as to the Commercial Court, no higher sum can be tendered.

26. The Turkish Government has also protested against the payment made by Sir Robert Biddulph at Constantinople on account of the tribute for the broken period of 1878-79. That protest will be found in the Memorandum of the Turkish Government forwarded by Sir H. Layard on the 17th August, 1879,† to which reference has already been made. From Sir R. Biddulph's despatch of the 11th May, already inclosed herewith, it appears that the Turkish Government has never drawn that sum from the Ottoman Bank, nor given any direct receipt for it, although the Bank gave a receipt, —whether with or without sufficient authority does not appear. Lord Kimberley does not, however, propose to go again into the question of the sufficiency of the payment for that year unless the Turkish Government presses the matter afresh.

I am, &c.

(Signed) JOHN BRAMSTON.

Inclosure 1 in No. 235.

Sir R. Biddulph to the Earl of Kimberley.

My Lord, *Nicosia, May* 11, 1881.

I HAVE obtained from the Imperial Ottoman Bank at Constantinople the information required by paragraph 3 of your Lordship's despatch of the 3rd March, 1881, and I transmit a list of all the quotations of métallique obtainable between the $\frac{1}{13}$th March, 1873, and $\frac{10}{12}$th March, 1878. The average of this list gives 108$\frac{11}{16}$ métallique piastres per £ T.

2. It will perhaps occur to your Lordship that the number of quotations per month is not absolutely uniform, and that therefore an average taken from the list is not a thoroughly unimpeachable average, especially since the list shows that the value of the £ T. ranged from 102$\frac{15}{16}$ to 120 métallique piastres; but an average taken by myself at Constantinople, in 1879, of the value of the £ T. on the $\frac{1}{12}$th of each month from the $\frac{1}{13}$th March, 1873, to the $\frac{10}{12}$th February, 1878, gave almost exactly the same average, viz., 108$\frac{71}{16}$ per £ T. It would, however, have been more correct to have taken the average up to the last day of February (o.s.), 1878, which would have brought the exchange a little lower.

* Assim Pasha to Mr. Goschen, October 12, 1880; Assim Pasha to Mukhtar Pasha, January 31; Assim Pasha to Sir. Goschen, May 7, 1881.

† See page 107, Cyprus Correspondence, Part II.

3. On this subject, however, I beg to refer to paragraphs 8 and 9 of my despatch of the 15th December, 1880, and I submit that it would be more fair to Cyprus to take the value on the last day of each of the five financial years 1873-77. This view was apparently adopted by the Imperial Ottoman Bank when they were trying last year to negotiate on behalf of the Porte, as may be seen by reference to Mr. Foster's letter of the 1st July, 1880, inclosed in my despatch of the 19th July, 1880, wherein he states, "The average price for métallique for the five years ending March 1878, is 110." My own calculations make it to be 110$\frac{13}{16}$, but we might fairly agree to take it at 110. As I observe that the Treasury letter of the 16th January, 1881, quotes the letter from the Ottoman Bank to me, dated the 24th May, 1880, I would mention that that letter made a serious error in taking for the average the value of métallique on the first day of each of the financial years 1873-77. I pointed out this error to Mr. Foster in a letter dated the 17th June, and it was in acknowledgment of that letter that he wrote to me on the 1st July as above quoted, admitting that it should properly be 110.

4. There remains the further question put to me in the last paragraph of your Lordship's despatch of the 3rd March last, viz., "Whether, in fixing the amount of the payment in métallique piastres, I made allowance for the fact that the taxes of the autumn of 1878 were received generally in caimé?"

The Treasury letter of the 16th February last draws attention to my despatch of the 24th June, 1879, in which it is stated that I had reduced the value of the tithes of 1877 to métallique value. The excise duties of 1877 ought also to have been similarly reduced; but this was the item I alluded to as having yielded in paragraph 20 of that despatch.

5. It was not possible, however, in fixing the number of piastres payable, to make allowance for the additional number received on account of the depreciation of caimé, as shown in paragraphs 2 and 3 of my despatch of the 7th June, 1880, quoted in the Treasury letter of the 16th February last. I am of opinion that it is impossible to estimate the number of additional piastres which thus swelled the apparent receipts from the 1st November, 1876, to the 12th March, 1878; but I think it would be quite just to take it into account in converting the value into gold, because it may be argued that we are entitled to take the gold value of the currency actually received. Thus the financial year 1877-78 shows receipts of caimé as follows:—

	Pcs.
Verghi	3,352,777
Military exemption	1,247,278
Sheep tax	1,362,811
Excise on tobacco	1,005,014
„ wines	736,860
Total	7,704,779

I omit "tithes" as they were converted into "métallique," and "customs" and "miscellaneous" because they were not received in caimé. The comparison of the above items, however, with the receipts under the same heads for former years, as laid down in the Table of General Receipts attached to my despatch of the 24th June, 1879, will show that my contention as to the increased number of piastres paid in during the caimé period is correct.

6. I have not here the market quotations of caimé for that period, but from the date of its issue it fell steadily. I have by me the quotations of caimé at Constantinople for each day in the month of November, in the years 1876, 1877, and 1878. They give an average value as follows:—

First issue—	
November 1876	119$\frac{7}{8}$ to £ T.
„ 1877	198$\frac{1}{16}$ „
„ 1878	340$\frac{1}{2}$ „

If the 7,704,779 caimé piastres received in 1877 were reduced to gold at their true value, it would make a very considerable difference. Taking it at 200 instead of 110 to the £ T., it would make that sum about £ T. 38,500 instead of £ T. 70,000, which, spread over five years, would diminish the average receipts by £ T. 6,300. If the caimé received during the eighteen months ending the 12th March, 1878, were converted into gold at its market value, it would reduce the annual payment below the value which was suggested in my despatch of the 17th December, 1879, viz., 84,000*l.*

I have, &c.

(Signed) ROB. BIDDULPH.

Inclosure 2 in No. 285.

RATES of Exchange at Constantinople between Métallique Piastres and the Turkish Pound (£ T.) at 100, from March 1/13, 1873, to March 1/13, 1878.

Date.	Rate.	Date.	Rate.	Date.	Rate.
1873. Mar. 1/13	103·10	1874. Dec. 17	104·35	1876. Aug. 3	107·30
Apr. 3	103	24	104·30	17	107·35
May 1	102·30	31	104·35	24	107·15
15	102·15	1875. Jan. 7	105	31	107·10
28	103·20	21	104·35	Sept. 6	106·30
June 12	103·35	Feb. 4	105	14	108·10
20	104·5	11	105·15	21	108·20
July 3	104·35	Mar. 4	105·35	27	108
10	105·10	11	105·20	Oct. 5	108·20
24	106	18	105·5	12	108·10
31	105·35	25	105	18	108·10
Aug. 7	104·10	Apr. 1	104·25	26	108·20
14	104·20	8	104·25	Nov. 2	108·30*
21	104	15	105	9	110
28	103·20	21	105	16	112·10
Sept. 3	103·22	29	104·30	23	113
4	103·20	May 13	104·28	Dec. 7	111·10
11	103·2	26	104·25	21	110
18	103·15	June 2	104·30	28	110·30
25	103·30	10	105·5	1877. Jan. 4	110·30
Oct. 8	104·5	17	105·10	11	111·30
16	104·20	24	105	17	113
23	104·28	July 1	105·4	25	113
30	104·10	8	105·10	Feb. 1	112·20
Nov. 6	104·10	15	105·15	8	112
13	101·20	22	105·30	Mar. 1	113·10
27	104·10	29	105·30	15	113·20
Dec. 4	104·25	Aug. 5	105·20	22	113·20
11	104·35	19	105·30	29	113·10
24	105·5	26	105·35	Apr. 12	113
1874. Jan. 8	104·10	Sept. 9	105·15	26	114
22	104·30	16	105·20	May 9	116
Feb. 5	105·5	23	105·20	24	116
19	105·35	30	105·20	June 7	116
26	105·15	Oct. 7	105·25	14	116
Mar. 5	105·10	14	105·20	21	116
26	104·30	21	105·30	July 5	116·20
Apr. 2	104·30	28	106	12	116
16	104·20	Nov. 4	106	19	116·20
23	104·10	11	106	25	116·20
30	104·15	18	106·10	26	116
May 7	104·25	25	106·15	Aug. 2	116
28	105·30	Dec. 2	106·20	9	116
June 4	105·30	9	106·20	16	115·20
11	104·28	16	106·30	23	115
18	105·25	30	108	30	117
22	105·25	1876. Jan. 5	105	Sept. 6	116
July 9	105·25	12	108·5	13	115·20
23	105·5	27	108·10	19	116·20
Aug. 6	105·20	Feb. 5	108·15	27	116
13	105	10	107·30	Oct. 4	115·30
20	104·35	17	107	11	116
26	104·20	24	106	18	116
Sept. 3	104·25	Mar. 2	106·10	24	116
10	104·30	16	106·15	31	117
17	105	30	106·20	Nov. 7	117
24	104·37	Apr. 5	106·20	14	117
30	104·20	12	106·25	21	118
Oct. 1	104·30	27	107	28	118
8	104·30	May 4	107	Dec. 5	118
15	104·25	18	108·5	12	118
22	104·25	24	108·5	26	120
29	104·30	June 8	108·10	1878. Jan. 2	119
Nov. 5	104·30	14	107·35	23	119
12	104·20	22	106·35	Feb. 6	119
19	104·10	29	107·20	13	119
26	104·20	July 6	108·10	20	120
Dec. 3	104·25	20	108	Mar. 6	119
10	104·35	27	107·20	1/13	120

Average, 108·10.

* Coins issued in November 1876; métallique rapidly fell.

Inclosure 3 in No. 285.

Sir R. Biddulph to the Earl of Kimberley.

My Lord, *Tunbridge Wells, August* 23, 1881.

I HAVE the honour to acknowledge the receipt of Colonial Office letter of the 13th instant, requesting an early expression of my views on the various questions still outstanding in regard to the amount of the Cyprus tribute. Your Lordship sums up these questions under three heads:—

(1.) The deductions to be made from the admitted receipts on account of local expenditure.

(2.) The rate at which the tribute should be converted from piastres into £ T.

(3.) The rate at which the £ T. should, if necessary, be converted into £ sterling.

2. With regard to the first of these questions, I am of opinion that we should adhere to the figures given in my despatch of the 24th June, 1879. The Lords Commissioners of Her Majesty's Treasury in their letter of the 16th February, 1881, to the Foreign Office, state that they consider that the claims put forward in that despatch are reasonable, and I think it would be highly inconvenient to reopen the matter at this distant period, the more so because I do not conceive it is possible for us to yield any of the items composing the 1,375,821 piastres which the Porte would not admit. It is true that there is the consideration of whether more should not be deducted, such as the "Roosoomat" taxes mentioned in my despatch of the 9th April, 1881, but inasmuch as any suggestion on our part to revise the amount of 11,121,951 piastres would give a right to the Porte to reopen the question of the amount on their part also, I think it would be wiser to consider that part of the question as closed. If, however, it should be decided to allow the question to be reopened, I would decidedly adhere to the three items composing the sum of 1,375,821 piastres above mentioned, and I would claim a further deduction of 110,106 piastres on account of the "Roosoomat" taxes.

There will be the further temporary deduction of 29,574 piastres, on account of repayment of forced loan, as already reported on, together with sundry other small sums on account of payments made in Cyprus for the Ottoman Government; but these need not be considered when dealing with the general question.

3. Before entering on the 2nd and 3rd questions, I will briefly review the history of past transactions, as requested by your Lordship.

The payment for the broken part of the financial year 1878-79 was made under the circumstances detailed in paragraph 26 of my Constantinople despatch of the 24th June, 1879. The sum due, as shown by Annex I to Appendix II of that despatch, was paid partly in caimé received by the Government of Cyprus in payment of taxes, and the remainder in métallique currency. In effecting this payment, I paid into the Bank a quantity of métalliques, and a number of Turkish silver, Turkish gold, Napoleons, and £ sterling, all of which were taken at their value in métalliques on the day of payment. I am not able, without referring to Cyprus, to give the exact coins and rates of exchange. I believe that the Porte never made any official objection to this payment.

4. The next payment that became due was for the year 1879-80, and the circumstances attending this have been the subject of some correspondence. The sum due was tendered in métallique piastres in the same way as in the previous year, but the depreciation of métalliques, owing to its demonetisation by the Porte, caused the Ottoman Government to refuse to receive it, and the Finance Minister informed me that the Porte could only receive payment at the average rate of métalliques during the five years previous to the British occupation (see inclosure to my despatch of the 25th May, 1880). The method of payment proposed by me was identically the same as that adopted in 1879, and I conceive that in proposing this course the British Government were acting strictly within their rights, no gold value having yet been fixed for the tribute. The depreciation was caused by the action of the Porte, and had the effect of largely benefiting their Treasury. As the British Government represented in Cyprus the Turkish Treasury, the benefit accrued to the Cyprus Government instead of to the Porte. Her Majesty's Government, however, did not wish to take advantage of this, nor to allow the pecuniary benefit to accrue to Cyprus at the expense of Turkey, and have, with great liberality, accepted the proposal of the Porte that the tribute for 1879-80 shall be paid at the rate of 120 piastres to the £ T., and the deficit caused by this decision has been voted by Parliament; Her Majesty's Government have at the same time decided that the rate at which the tribute shall be

converted into gold for future payments shall be at the average gold value of the métallique currency during the five years 1873-77, inclusive. This principle has apparently been accepted by the Porte, and I therefore proceed to the second question for consideration, viz., the rate at which the annual tribute should be converted into £ T.

On this subject I may conclude that both Her Majesty's Government and the Sublime Porte are of one mind, that it should be based on the average value of the métallique piastre during the five years preceding the British occupation. I therefore recommend that the value of the métallique piastre be taken on the last day of each of the sixty months comprised in those years, commencing from the last day of March (o. s.) 1873, and ending with the last day of February (o. s.) 1878, or, reckoning by our calendar, from the 12th April, 1873, to the 12th March, 1878, inclusive. The average of these sixty quotations being ascertained, and the 11,121,951 piastres being converted into £ T. at that rate, I consider that a further reduction should be made on account of the caïmé receipts of 1877, as shown in my despatch of the 11th May, 1881. This will be a calculation of a little difficulty, and I think it needs verbal discussion. I estimated the caïmé receipts for 1877 at 7,704,779 piastres, but the Porte would perhaps claim that we should deduct their caïmé expenditure for the same period, which was probably about 2,500,000 piastres, leaving about 5,200,000 piastres caïmé to be allowed for. If the value of caïmé on the last day of each month of the financial year 1877-78 be taken, and an average value obtained therefrom, the difference between the gold value of the 5,200,000 caïmé piastres and of the same number of métallique piastres will give a certain number of £ T., one-fifth of which will be the amount to be deducted from the gold value of the 11,121,951 piastres, as above ascertained, from the average value of métallique during the five years.

6. There remains the third question, viz., the conversion of £ T. into £ sterling. The correspondence already laid before Parliament shows that this conversion is a matter which admits of considerable difference of opinion, but I venture to think that this has arisen from its having been mixed up with the question of exchange as a matter of conversion from one gold currency to another; it is, I apprehend, a pure question of bullion.

It is obvious that a debt of so many £ sterling can be discharged by the payment of an equivalent weight of gold of standard fineness, and I think it will be convenient in the first instance to consider this part of the conversion before we deal with its transmission to any place out of Cyprus. The standard of the gold coins of Turkey is the same as the English standard, and the actual value of the £ T. in English gold is 18*s.* 0·816*d.* I propose, therefore, to fix this as the proper rate at which the number of £ T. which are arrived at under paragraph 5 of this letter shall be converted into £ sterling; and I submit that to convert them at the Constantinople rate of exchange is altogether wrong. The value of £ T. 1,000 will therefore be 903*l.* 8*s.* sterling. By adopting this principle for the conversion we get rid of the complications involved in the question of exchange. If it is intended to pay the money in London, the number of sovereigns as above ascertained can be paid there without difficulty, and without any cost for exchange under our present Agreement with the Ottoman Bank. If it should be decided to make the payment at Constantinople, then I conceive it is for the Porte to make the arrangement for its transmission from Cyprus, as they always did formerly. They would not get the same number of £ T. that represent the gold value of the tribute; but neither did they in former years, when they paid ½ per cent. on all remittances, and a still larger percentage when it was drawn by "havalés" (orders on the local Treasury). On this point I beg to refer to paragraph 8 of my despatch from Constantinople of the 12th June, 1879.

7. I return the correspondence and other papers transmitted to me from the Colonial Office.

I have, &c.
(Signed) ROB. BIDDULPH.

Inclosure 4 in No. 235.

The Cyprus Tribute.

The Land Revenue Deduction.—The IIIrd Article of the Annex to the Convention provided that in calculating the surplus on the basis of the receipts for the five preceding years, the produce of State and Crown lands let or sold should be excluded, it being intended that the Porte should go on managing the landed property of the Crown and State, as provided by the succeeding (*i.e.*, the IVth) Article. This IVth Article was, however, soon found to be inconvenient in practice, and on the representation of the Cyprus authorities, Lord Salisbury instructed Sir Henry Layard to open negotiations for it cancellation. These negotiations were pushed rapidly through and resulted in the Convention of the 3rd February, 1879, by which Great Britain bought up the rights of Turkey under the IVth Article of the Convention of June 1878 for an annuity of 5,000*l.* a-year. It appears that this bargain was concluded, or at all events, that the discussion proceeded on the basis of a Table produced by the Turkish Representatives prepared in the Turkish Land Office (Defter Hekané), which showed that the average receipts for the five years preceding were 905,427 piastres. This Table is now admitted to have been false, and to have represented the receipts as more than double their actual amount. Sir H. Layard did not, and indeed could not, verify it, but on the other hand he did not so far accept it implicitly as to pay the full value of it in the annuity agreed on. He agreed to pay 5,000*l.* a-year, that is about 605,000 métallique piastres. The question is whether the Turkish Government should lose the difference by reason of the false Return of their Land Office. It is about 2,470*l.* in English money.

The question arises in this way. The negotiations of Sir R. Biddulph related merely to the payments under the Convention of June 1878. They were much more complicated than those conducted by Sir Henry Layard, and they overlapped them in point of time. It was not disputed that the land receipts were to be deducted from the gross receipts under the Convention of June 1878. The question was, what was the amount to be deducted. For present purposes it may be taken that Sir R. Biddulph and the Turks were agreed that the true amount of the receipts was about 400,000 piastres, and the contention of the Turks was that this should be the amount of the deduction. Sir R. Biddulph on the other hand maintained that the statement of the Land Registry Office must be taken as conclusive, and that the deduction must be 905,427 piastres.

In his despatch of the 24th June he writes as follows:—

"The land revenue question is a very serious one. I had, before leaving Cyprus, obtained a Return of that revenue for the past five years, showing an average yield of about 400,000 piastres a-year. On my arrival at Constantinople, Mr. Malet, Her Majesty's Minister *ad interim*, kindly placed at my disposal the correspondence that led to the Agreement of the 3rd February, 1879, under which England purchased those revenues for 5,000*l.* a-year. To my astonishment I found that this Agreement was based on a document furnished by the Land Registry Department of Constantinople, showing that those revenues amounted to over 900,000 piastres a-year. As, however, the 3rd clause of the Annex provides for the land revenues being deducted from our annual subsidy, I simply produced a copy of the above-mentioned document, and claimed to deduct the amount therein mentioned. To this the Commission demurred, stating that, as the actual receipts were under 400,000 piastres a-year, they could not deduct 900,000 piastres, and, further, that the Treasury could not be responsible for figures given by the Land Department.

"The retort that the British Government does not deal with either of those Departments as such, but with the Sublime Porte, was an obvious one, and I added that, under the circumstances, I must claim to put in their own Table, as it had already been accepted by the British Government and could not now be changed for the benefit of the Porte; otherwise we should be paying twice over for the same thing.

"Our claim does not, indeed, admit of any real dispute. The 3rd clause of the Annex to the Convention of the 4th June says that we are to pay the average revenues, less the land revenues. Subsequently we purchased the land revenues by a separate Agreement, on which occasion the Porte stated them to amount to 900,000 piastres. To contend now that that was a separate transaction, and had nothing to do with the Annex to the Convention, is not only untrue, but an unworthy argument to be put forward by any statesman."

No. 236.

Assim Pasha to Musurus Pasha.—(Communicated to Earl Granville by Musurus Pasha, November 3.)

(Télégraphique.) *Constantinople, le 2 Novembre*, 1881.

REÇU télégramme.

Le Gouvernement Impérial est prêt à pourvoir au service de l'Emprunt garanti par d'autres revenus de l'Empire.

Je vous prie de faire des démarches pressantes auprès de Lord Granville pour obtenir la levée de la saisie que le Gouvernement Britannique a opérée sur les revenus de Chypre.

No. 237.

The Earl of Dufferin to Earl Granville.—(Received November 3, 8·45 A.M.)

(No. 409.)
(Telegraphic.) *Constantinople, November 3*, 1881, 12·5 A.M.

YESTERDAY another meeting of the Russian Indemnity Commission took place. The only tangible proposal made was one by the Turks to the effect that the security for the war debt should be the guarantee of the Ottoman Bank, whose solvency in its turn was to be guaranteed by Turkey. Russian designated this plan as a vicious [? one], and asked for securities similar to those which had been given to the bondholders; to which the Turkish Commissioners replied that they could not cede to a foreign Power the administration of any portion of the revenues of Turkey.

No. 238.

Earl Granville to the Earl of Dufferin.

E
(No. 744.) *Foreign Office, November 4*, 1881.

My Lord,

HER Majesty's Government have considered in communication, with the Law Officers of the Crown, the question of the claim which you reported in your telegram No. 388 of the 5th October, as having been made by the Russian Ambassador at Constantinople to the Bulgarian tribute as a security for the war indemnity imposed upon Turkey by the XIXth Article of the Treaty of San Stefano; and I have to acquaint you that they are of opinion that there is no ground for the preferential claim thus put forward by Russia and that it cannot be maintained.

When the creditors of Turkey lent money to that country they did so on the security of its general revenue, and even in the absence of express words, such an hypothecation would include the then present and future revenues. Moreover, the Firman for the Loan of 1862 assigns as the security for the loan of that year "the whole of the revenues of the Exchequer of the Imperial Government present and future."

It is also to be observed that the Bulgarian tribute must be regarded as being received by the Turkish Government in substitution of the revenue received from Bulgaria at the time the loans were contracted, and therefore it cannot be said that this payment of tribute is a new source of revenue, although, even if it were, Russia would have no right to claim it.

Her Majesty's Government therefore think that Russia has no greater claim to appropriate the Bulgarian tribute than any other portion of the revenue of Turkey.

Beyond these considerations the express declarations of the Russian Representatives at the Congress of Berlin form a complete answer to the claim now made. The discussion raised in the Congress on the war indemnity claimed by Russia under Article XIX of the Treaty of San Stefano, was only brought to a close by the declaration of Count Schouvalow that "Russia proposed to respect every anterior hypothecation," and by Prince Gortchacow's statement, that "the indemnity of war will not affect the interests of the creditors of the Porte." Both these pledges would be broken if the claim now preferred by Russia were maintained.

I am, &c.
(Signed) GRANVILLE.

No. 239.

The Earl of Dufferin to Earl Granville.—(Received November 7.)

E
(No. 955. Confidential.)

My Lord, *Constantinople, October 31*, 1881.

I HAVE the honour to inform your Lordship that the Russian Ambassador and M. Thörner met the Minister for Foreign Affairs and Server Pasha at the Porte for the first time the day before yesterday, Saturday the 29th, for the purpose of considering the mode in which the war indemnity due by Turkey to Russia is to be paid. I have reason to believe that not only was there nothing settled either in detail or principle at this preliminary Conference, but that there did not even take place an exchange of anything approaching to definite ideas between the parties.

The indemnity claimed by Russia amounts to £ T. 37,500,000. The first suggestion on the part of the Turks was that Russia should at once make an abatement upon this capital sum, on the ground that the bondholders had agreed to a curtailment of the nominal amount due to them. M. Novikoff denied that there was any analogy between the two cases, and refused absolutely to entertain such a proposition. He hinted, however, at the possibility of Russia not being unwilling to exhibit an indulgent and conciliatory spirit at a later stage of the proceedings, by which he is supposed to have intended the limitation, within moderate bounds, of the amount of interest to be demanded.

The Russian Representative then asked the Turkish Commissioners what were the revenues they were prepared to hypothecate to Russia as security for the interest of the war debt? Assim Pasha replied that they were not yet in a position to make any announcement in reference to that point, upon which the interview terminated.

I understand further that M. Novikoff has again repeated to the Turkish Government the intimation which I have already reported to your Lordship in my telegram No. 381 of the 29th ultimo, namely, that he will insist on the settlement of the war indemnity being conducted contemporaneously with that of the bonded debt, and that the arrangement come to with the bondholders must not be signed until the negotiations with himself are concluded.

In reference to the foregoing subject, I may mention that I asked M. Novikoff whether he contemplated laying any claim to the tribute of Bulgaria in connection with the war indemnity. His Excellency replied that his Government had no such intention; that the determination of the amount of the Bulgarian tribute was a political matter which would have to be decided by the Powers, and that all that he had contended for was that, the tribute in question being a novel and hitherto unhypothecated source of income, should not be assigned away to the bondholders without his knowledge and behind his back, until he had been able to arrive at an understanding with Turkey as to the sources out of which the interest on the war debt to Russia was to be paid.

I have been informed on pretty good authority that this account of M. Novikoff's of the views of his Government may be regarded as sincere, and that M. Thörner has been seriously considering the acceptability of several other sources of revenue, such as the customs of Salonica and of Constantinople. On the other hand, as Assim Pasha has already desired me to intimate to your Lordship, the Porte is very unwilling to allow Russia to obtain any lien over Bulgaria by the hypothecation of its tribute. A new idea, however, has been mooted within the last four-and-twenty hours which perhaps may acquire a more definite consistence, viz., that the Bulgarian tribute should be divided between Russia and the bondholders. In this way Turkey might hope to induce the Powers of Europe to interest themselves in obtaining for her a favourable settlement of the tribute (of which she is beginning to fear there is at present very little prospect), inasmuch as such a settlement would be advantageous to their bondholding nationals, while, on the other hand, the fact of the tribute not being exclusively assigned to Russia would obviate a great deal of the danger which they fear might flow from its entire hypothecation to that Power.

I do not believe, however, that the foregoing project has originated either at the Porte or at the Russian Embassy. It seems to be merely an idea which is "in the air."

I have, &c.
(Signed) DUFFERIN.

No. 240.

The Earl of Dufferin to Earl Granville.—(Received November 7.)

E
(No. 957.)
My Lord, *Constantinople, November* 1, 1881.

MR. BOURKE'S negotiations with the Turkish Government on behalf of the bondholders have made considerable progress since my last Report. (See my despatch No. 893 of the 10th ultimo.)

In the first place, the total of the debt of Turkey, including arrears of interest, has been fixed at 106,500,000*l.* A settlement with the Galata bankers has also been arrived at, under which their annual claim has been reduced to 550,000*l.* On the other hand, Mr. Bourke has obtained, in addition to the 1,400,000*l.* derived from the six contributions, and the 225,000*l.* due from Roumelia, a grant of the tobacco tithes, equal to, say, 100,000*l.*, and an allowance in lieu of the surplus revenue of Cyprus, to be paid through the Ottoman Bank, equal to, say, 110,000*l.*

In order, however, to raise the interest on the debt to 1½ per cent., which is the minimum result insisted on by Mr. Bourke, another sum of 312,000*l.* is required. Consequently, at the last meeting, the hypothecation of additional revenues to this amount was demanded by the Delegates. This was met by a proposal on the part of the Turkish Commissioners to constitute a tobacco monopoly, but Mr. Bourke at once declined to have anything to do with a "régie." He admitted, however, that it might be reasonable to count upon an increase of 135,000*l.* by the development in one way and another of the tobacco duties, and it was agreed to add this sum to the credit side of the account. In this way 177,000*l.* is all that is wanted to raise the interest to the required figure of 1½ per cent.

A meeting of the Bondholders' Commission was to have taken place yesterday, at which it was expected that the Turkish Delegates would announce whether or no they would be able to make up this deficit by placing any further revenues at the disposal of the bondholders, but it has been deferred until next Monday, the second Bairam (a festival of four days, during which no business is transacted) having now commenced.

I subjoin the substance of the foregoing statement in a Tabular form.

Total bonded debt of Turkey, as certified by Commission, 106,500,000*l.*

ANNUAL Revenues to be assigned to Bondholders.

	£
Six contributions	1,400,000
Eastern Roumelia	225,000
Tobacco tithes	100,000
Allowance for surplus revenues of Cyprus	110,000
	1,835,000
Deduct sum due to Galata bankers	550,000
	1,285,000
Sum required to raise interest on debt to 1½ per cent.	1,597,000
Deficit	312,000
Possible increase on tobacco duties	135,000
Additional revenues still demanded by bondholders	177,000

I have, &c.
(Signed) DUFFERIN.

No. 241.

The Earl of Dufferin to Earl Granville.—(Received November 7.)

E
(No. 960. Confidential.)
My Lord, *Constantinople, November* 1, 1881.

IN continuation of my despatch No. 955 of yesterday's date, I have the honour to state that I have received an intimation from Assim Pasha that the idea of dividing the tribute of Bulgaria between the bondholders and Russia is not one which would commend itself to the Ottoman Government, who would desire to keep that source of income intact for the benefit of the bondholders.

His Excellency is still persuaded that Russia is bent upon obtaining possession of the Bulgarian tribute, with the intention of using the position she would thus acquire to the future detriment of Turkey.

I have, &c.
(Signed) DUFFERIN.

No. 242.

The Earl of Dufferin to Earl Granville.—(Received November 10.)

(No. 965.)
My Lord, *Constantinople, November* 3, 1881.

IN continuation of my despatch No. 957 of the 1st instant, I beg to state that the 550,000*l.* per annum which is to be paid as the interest of the Porte's debt to the Galata bankers represents 5 per cent. upon the capital sum, with a 2 per cent. sinking fund, the arrangement being extended over a period of twenty-six or twenty-seven years.

I have, &c.
(Signed) DUFFERIN.

No. 243.

The Earl of Dufferin to Earl Granville.—(Received November 10.)

(No. 966.)
My Lord, *Constantinople, November* 4, 1881.

I HAVE the honour to transmit herewith to your Lordship an extract from the "Levant Herald" respecting a loan which has been contracted by the Minister of Finance with the Imperial Ottoman Bank.

I have, &c.
(Signed) DUFFERIN.

Inclosure in No. 243.

Extract from the "Levant Herald" of November 3, 1881.

THE TREASURY.—The Minister of Finance has contracted a loan with the Imperial Ottoman Bank for a total sum of about £T. 380,000*l.*, of which £T. 100,000 in cash and the balance in overdue havalés. The advance is to bear 10 per cent. interest, and the cash portion is to be paid over to the Minister of Finance in five monthly instalments of £T. 20,000 each. The first payment was made yesterday. The advance is secured by assignment of certain grain tithes of 1882 and 1883, and in the event of these guarantees not proving effective, delegations on the revenues of the Constantinople Custom-house are deposited with the lenders for the full amount of the loan.

It will probably be remarked that this transaction is an anticipation of the revenues of the two next years, and the transaction will probably call forth the usual criticism anent the unwisdom of eating to-day the bread of to-morrow. But it must be remembered that the greater part of this loan is merely the conversion of an old transaction, in which the honour of the Treasury was involved, and as it is now important that no sort of stain should rest upon the "Mahieh," a new instrument has been given in exchange for the havalés, which were unfortunately left unpaid last year, and the small sum of ready money advanced is merely an accessory to this transaction. It is highly creditable to the Minister of Finance that his Excellency should have seen the fitness of giving to the shapeless operation of last year the form which it lacked, and that he should have been able at the same time to obtain a little cash, which was needful to restore smoothness to the surface of the affairs of his Department, the ruffling of which has caused his Excellency some personal inconvenience.

Another loan, contracted by the Minister of the Civil List in order to make provision for the expenses of the Bairam, is exceedingly moderate in amount, not exceeding, we understand, the sum of 3,000 liras.

No. 244.

The Earl of Dufferin to Earl Granville.—(Received November 10, 8 A.M.)

(No. 415.)
(Telegraphic.) *Constantinople, November 9, 1881, 11·20 P.M.*

AT the Conference yesterday Russian Ambassador demanded, and was promised, a written exposition of the arrangements come to with the bondholders.

No. 245.

Earl Granville to Sir E. Thornton.

(No. 387.)
Sir, *Foreign Office, November 11, 1881.*

I INCLOSE, for your Excellency's information, a copy of a despatch which I have addressed to Her Majesty's Ambassador at Constantinople relative to the claim made by the Russian Ambassador on behalf of his Government to the Bulgarian Tribute as a security for the war indemnity;* and I have to request you to make known the substance of this despatch to the Russian Government.

I am, &c.
(Signed) GRANVILLE.

No. 246.

The Earl of Dufferin to Earl Granville.—(Received November 12, 8 A.M.)

(No. 418.)
(Telegraphic.) *Constantinople, November 11, 1881.*

THE Russian Ambassador complained to-day that his demands in regard to the indemnity [?] had been wilfully misrepresented by the Porte. He said that he had never contended that the Agreement with the bondholders could not be signed until the Russian indemnity arrangement had also been completed. All that he asserted was that before the final Act of Agreement with the bondholders was executed he was entitled to have communicated to him a statement of the revenues hypothecated to them in order to assure himself that none of those hitherto unhypothecated had been assigned away.

I observed, incidentally, that I understood the delegates of the bondholders contended that both the actual and future revenues of Turkey had been expressly given as security when their clients lent their money. "Such a pretension," M. Novikoff said, "Russia could not admit, as nothing would then be left to satisfy her claim."

I did not pursue the conversation further.

No. 247.

The Earl of Dufferin to Earl Granville.—(Received November 14.)

(No. 974. Confidential.)
My Lord, *Constantinople, November 8, 1881.*

WITH reference to my despatch to your Lordship No. 957 of the 1st instant, your Lordship is aware that an agreement has been come to among the bondholders, under which certain categories amongst them are recognized as possessing slightly preferential claims. The inclosed Memorandum exhibits the mode in which the delegates of the bondholders propose to give effect to the foregoing principle.

I have, &c.
(Signed) DUFFERIN.

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* No. 238.

Inclosure in No. 247.

Memorandum.

THE net revenue of each half-year (after deduction of the amount required for the service of the preference obligations for the Galata Bankers' Debt) will be applied to the payment of interest and amortissement.

The maximum rate of interest will be paid at 4 per cent. per annum, and that of amortissement at 1 per cent. After 1 per cent., the amortissement will be ¼ per cent.; after 2 per cent. interest, ½ per cent. amortissement; after 3 per cent. interest, ¾ per cent. amortissement; and after 4 per cent. interest, the full rate of 1 per cent. will be reached, both interest and amortissement being calculated on the totality of the bonds, and the interest released by amortisation augmenting the sinking funds.

The interest will be paid *pro rata*, without distinction or preference, but for the purposes of amortissement it is proposed to divide the loans into four groups:—

Group 1, Loans of 1858 and 1862; Group 2, Loans of 1860, 1863-64, and 1872; Group 3, Loans of 1865, 1869, and 1873; Group 4, Loans of Lots Turcs and General Debt.

Each group to participate in the amortissement successively in the above order, so that the first ¼ per cent. will be applied to the 1st group; the application of the second ¼ per cent. will commence with the 2nd group; group 3 will take the third ¼ per cent.; and the 4th group the last ¼ per cent., provision being made for apportioning the sums available for amortissement, in case by the extinction of a preceding group a subsequent one would otherwise be in possession of 2¼ per cent. at the same time.

By the system of grouping regard is paid to the preferential rights or particular position of special loans.

The Customs of Constantinople, which were pledged to the 1858 Loan, were, prior to 1879, in possession of the Galata bankers, and were only released on the six Indirect Contributions being given up in their place.

Hence the Customs formed the original base of the present Administration. The Government also now gives a sum out of the Customs in place of the Cyprus Tribute, until the latter is released by England and France, and comes into possession of the new Administration.

In the 1862 Loan the six Indirect Contributions were specially hypothecated, and these two loans, which (irrespective of their special hypothecations) have always occupied a special position over all the others, and whose preferential claims have been admitted by all classes, have been placed in the 1st group by themselves, and will have the first preferential right to amortisation.

The rights of those loans comprised in the 2nd group are also recognized, though properly subordinated to those of the 1858 and 1862 Loans.

The 1860 Loan had a special charge on the tobacco of Samsoun, Anatolia, and Roumelia, the salt mines, and the revenues of Cyprus.

The 1863-64 Loan had the surplus of the six indirect contributions after provisions for the 1862 Loan, and the Treasury Bonds had the tithes of the Vilayets of the Danube, and although the latter form only a small part of the revenue of Bulgaria and Roumelia, now represented by the Tributes assigned to the bondholders, they have a special claim to consideration, from the fact that their capital is now wholly overdue. These bonds have therefore been placed in the 2nd group.

The Lots Turcs, which have no special hypothecation, and the General Debt, are properly placed after the Loans of 1865, 1869, and 1873,* which occupy the 3rd group, and will, consequently, have a preference in amortisation over the former.

It has been endeavoured, while paying due regard to the right of all the different classes to participate in the revenue, as they do by the rateable payment of interest, to give effect to the claims of those loans which have special rights, and the arrangement is probably the best which the circumstances of the case admit of, and will, doubtless, be cordially accepted by the bondholders as a happy solution of the great difficulties which have stood in the way of combining a recognition of special rights with that of the general claims of the whole body of bondholders.

November 7, 1881.

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* This loan has surplus of tobacco hypothecated to it.

No. 248.

The Earl of Dufferin to Earl Granville.—(Received November 14.)

(No. 980.)
My Lord, *Constantinople, November 8, 1881.*

I BELIEVE that since my last report upon this subject, Mr. Bourke has succeeded in getting revenues to the amount of another 50,000*l.* per annum assigned to the bondholders. This represents 50,000*l.* less than he had hoped for, and 150,000*l.* less than he requires to obtain an immediate return of 1½ per cent.; but it is possible that the European Delegates may make up their minds to content themselves with this final concession.

I have, &c.
(Signed) DUFFERIN.

No. 249.

The Earl of Dufferin to Earl Granville.—(Received November 14.)

(No. 982.)
My Lord, *Constantinople, November 8, 1881.*

I HAVE the honour to inform your Lordship that a meeting of the Ottoman National Debt Commission was held yesterday, which it is to be hoped will lead to some practical result.

The Ottoman Delegate endeavoured to prove that the sums assigned to the bondholders would cover the annuity demanded for them by again raising a discussion on the total amount to be encashed by the six indirect contributions. Mr. Bourke insisted, however, on some additional revenues being granted, and the Ottoman Delegates consented to give, in addition to the tobacco tithes, and the equivalent of the Cyprus revenue, the tax on the Persian tobacco, called "tombatic," to the amount of £T. 50,000. They stipulated, however, that any surplus on this revenue beyond the amount granted should be given to the Ottoman Government, and they declared that this was the last concession that the Porte could make in the way of special revenues. To this Mr. Bourke agreed.

The General Liquidation scheme agreed upon between the foreign Delegates, a copy of which is inclosed in my despatch No. 974 of this day's date, was then read, and the Ottoman Members of the Commission asked for the delay of a week to examine it, a request which was acceded to.

It is supposed that, as the chief questions of principle may now be considered as being practically settled, the Sultan will ere long be asked to give His Majesty's Imperial sanction to the scheme.

I have, &c.
(Signed) DUFFERIN.

No. 250.

The Earl of Dufferin to Earl Granville.—(Received November 14, 8 A.M.)

(No. 419.)
(Telegraphic.) *Constantinople, November 13, 1881, 12·40 A.M.*

I UNDERSTAND that the Russian Ambassador, in distinguishing between old and new hypothecations, contends that an assignment *en bloc* of the actual and future revenues of Turkey, as was made to the bondholders in respect of some of the loans, is quite a different thing from a special hypothecation of particular revenues, and that hypothecation was the term used by Count Schouvaloff at the Congress of Berlin.

The foregoing argument is perhaps intended to support a future objection to the surrender to the bondholders of the Eastern Roumelian revenue.

I understand that at the last meeting of the Indemnity Commission M. de Novikoff made an announcement similar to that recorded in my telegram No. 418. The Ottoman Delegates then demanded what annuity the Russian Government would accept as a basis of the proposed [group omitted]. M. de Novikoff informed them that he was expecting instructions from St. Petersburgh on the subject.

No. 251.

The Earl of Dufferin to Earl Granville.—(Received November 14, 8 A.M.)

(No. 421. Confidential.)
(Telegraphic.) *Constantinople, November 13, 1881, 12·45 P.M.*

WITH reference to latter part of my telegram No. 420, the German Chargé d'Affaires asked me to-day whether there would be a strong objection in England to the Russian indemnity claim being settled by Turkey making a cession of territory to Russia on her Armenian frontier. I replied that, inasmuch as such an arrangement would be in direct contravention of the Treaty of Berlin, it was impossible that it should be mooted. I added that if such a thing were imaginable it would meet with strenuous opposition from England.

The question was such a singular one, considering the quarter from which it came, that I will ask you not to mention M. de Hirschfeld's name in connection with it, as it is scarcely conceivable that he was authorized to put it.

No. 252.

The Earl of Dufferin to Earl Granville.—(Received November 14, 3 P.M.)

(No. 422.)
(Telegraphic.) *Constantinople, November 14, 1881, 1·28 P.M.*

MY telegrams Nos. 420 and 421.

The Russian Ambassador, to whom I mentioned the subject, ridicules as inconceivably absurd the current reports of a territorial compensation being substituted for a money payment of the Russian war indemnity.

No. 253.

The Earl of Dufferin to Earl Granville.—(Received November 15.)

(No. 423.)
(Telegraphic.) *Constantinople, November 14, 1881, 11·40 P.M.*

MR. BOURKE has succeeded in getting the Turkish Commissioners to agree that, in the event of the arrangements to be effected with the bondholders being hereafter abrogated, or otherwise rendered null or ineffective, their original claims and securities shall revive in their full force.

No. 254.

The Earl of Dufferin to Earl Granville.—(Received November 15, 8 A.M.)

(No. 428.)
(Telegraphic.) *Constantinople, November 14, 1881, 11·50 P.M.*

SAID PASHA hinted to me to-day that the Russians were seeking to obtain the assignment of the revenues of a province as security for their war indemnity. I asked him if a province in Armenia had been suggested. He implied that an intimation of the kind had been vaguely insinuated; but he added that Turkey was not bound to assign the revenues of a particular province for such a purpose. I assured him that he might count upon the energetic support of Her Majesty's Government in sustaining this view.

All this was hinted at rather than positively asserted. The story came from Server Pasha, the Turkish member of the Indemnity Commission. There may, therefore, be misrepresentation or misapprehension, or perhaps both, but the matter is too serious for me to withhold it from you until I may be able to verify it further.

No. 255.

The Earl of Dufferin to Earl Granville.—(Received November 15, 2·40 P.M.)

(No. 427.)
(Telegraphic.) *Constantinople, November 15, 1881, noon.*

MY telegram No. 426 of yesterday.

Following is the real nature and origin of the Russian proposal referred to by Said Pasha:—

In discussing the revenues to be nominated as securities for the war indemnity, the Turkish Commissioners referred to the tithe, the property tax, and the sheep tax. But the produce of these taxes amounts to 8 or 9 millions per annum, and the Russian Commissioners felt that it would be impossible for them to demand a right of control over such large revenues, analogous to the right to be accorded to the bondholders over the six contributions. They have, therefore, demanded that a portion of them should be geographically specified; in other words, that the Russians should be allowed to collect and administer these three taxes in a particular province. Even admitting that proposal has been made in good faith and without any sinister political design, it is evident that the establishment of such an organization, with its numerous controllers and superintendents, and its army of policemen, of tithe-gatherers and tax-collectors, by a foreign Power in the heart of Turkey would be very dangerous, and would before long degenerate into an engine of political oppression and intrigue.

Another suggestion made by the Russian Commissioners was the hypothecation, under similar conditions, of the customs of some ports, such as Salonica or Beyrout.

No. 256.

Musurus Pasha to Earl Granville.—(Received November 16.)

My Lord, *Ambassade Impériale Ottomane, Londres, le 15 Novembre, 1881.*

DES communications itératives du Gouvernement Impérial m'obligent de rappeler à votre Excellence mes démarches précédentes et les observations que j'ai eu l'honneur de lui soumettre lors de notre dernière entrevue au sujet de l'excédant des revenus de Chypre.

Ces revenus ayant été affectés, en vertu de contrats antérieurs, au service de la Dette Publique Ottomane, le Gouvernement Impérial ne saurait les détourner sans inconvénient de leur destination, et force lui est de les tenir à la disposition des détenteurs de ses fonds; mais il est tout prêt à pourvoir au service de l'Emprunt Garanti de 1855 par d'autres revenus de l'Empire.

En priant votre Excellence de vouloir bien me mettre au plus tôt à même de transmettre à la Sublime Porte une réponse satisfaisante sur ce sujet, je saisis, &c.

(Signé) MUSURUS.

No. 257.

Earl Granville to the Earl of Dufferin.

(No. 490.)
(Telegraphic.) *Foreign Office, November 16, 1881, 6·10 P.M.*

WITH reference to your telegram No. 427 of the 15th instant, if such a proposal as that referred to respecting Russian indemnity is seriously made, you should ascertain what are the views of the other Representatives.

No. 258.

The Earl of Dufferin to Earl Granville.—(Received November 18, 6·11 P.M.)

(No. 429.)
(Telegraphic.) *Constantinople, November 18, 1881.*

THE Bondholders' Commission have finished their labours, and the arrangements agreed upon between the Delegates and the Turkish Commissioners are ready for submission to the Council of Ministers and the Sultan.

No. 259.

Sir J. Pauncefote to the Law Officers of the Crown and Dr. Deane.

Gentlemen, *Foreign Office, November 19, 1881.*

WITH reference to your Report of the 24th ultimo, I am directed by Earl Granville to transmit to you the accompanying copy of a telegram from Her Majesty's Ambassador at Constantinople relative to the preferential claim raised by Russia to certain Turkish revenues as a guarantee for the war indemnity.* I am also to inclose copy of a previous telegram from Lord Dufferin bearing on the question,† and I am to request that you will favour Lord Granville with any observations you may have to make thereon, especially as regards the argument of the Russian Ambassador at Constantinople, that the term hypothecation, as used by Count Schouvaloff at the Congress of Berlin, had reference only to "special" hypothecations, and that Russia could not recognize hypothecations of the whole of the Turkish revenues *en bloc*, as nothing would then be left to satisfy the claims of Russia.

The papers which accompanied the last reference to you on the subject are sent herewith, together with a copy of your Report thereon.

I am, &c.

(Signed) JULIAN PAUNCEFOTE.

No. 260.

The Earl of Dufferin to Earl Granville.—(Received November 21.)

(No. 995.)
My Lord, *Constantinople, November 11, 1881.*

I HAVE the honour to transmit herewith to your Lordship an extract from the "Stamboul" of this day, giving an account of the meeting of the Russian Indemnity Commission of the 9th instant.

I have, &c.

(Signed) DUFFERIN.

Inclosure in No. 260.

Extract from the "Stamboul" of November 10, 1881.

INDEMNITÉ DE GUERRE RUSSE.—Dans la réunion d'avant-hier, les Délégués Russes ont demandé quelle garantie avait été affectée par le Gouvernement Ottoman à l'emprunt, de 370,000 livres, contracté dernièrement avec les banquiers de Galata, à l'occasion du Baïram.

Assim Pacha a répondu que la somme obtenue de ce chef par le Gouvernement n'était pas un emprunt mais bien une opération financière provisoire. Les Délégués Russes ont pris acte de cette explication, tout en faisant des réserves.

M. Thornton a demandé que la décision finale de la Commission Financière fût communiquée aux Commissaires Russes. Les Délégués Ottomans ont alors donné quelques explications, mais leurs collègues Russes ont demandé que ces explications leur fussent communiquées par écrit.

La Commission s'est ensuite occupée des revenus que le Gouvernement Ottoman affectera au payement de l'indemnité de guerre.

La Commission chargée du réglement des indemnités dues aux sujets Russes lésés par suite des événements de la dernière guerre s'est réunie hier au Ministère des Affaires Etrangères.

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* No. 250.

† No. 246.

No. 261.

The Earl of Dufferin to Earl Granville.—(Received November 21.)

(No. 999.)
My Lord, *Constantinople, November 14, 1881.*

I HAVE already had the honour of reporting by telegram that Mr. Bourke has succeeded in inducing the Turkish Commissioners to agree that, in the event of the arrangements about to be arrived at with the bondholders being nullified or suspended by the action of the Ottoman Government, the original rights of the bondholders shall revive in all their plenitude.

I subjoin the French "rédaction" of this important agreement.

I have, &c.
(Signed) DUFFERIN.

Inclosure in No. 261.

Article to appear in the Iradé reserving the Original Rights of the Bondholders.

DANS le cas où le Gouvernement cesserait ou suspendrait l'arrangement présent, les porteurs rentrent dans la plénitude de leurs droits établis par les contrats originaux, tant que leurs titres ne seront pas encore amortis en conformité des dispositions du présent Iradé.

Les sûretés qui ont été données aux porteurs par les contrats d'emprunts resteront affectées pour l'accomplissement des dits droits jusqu'à ce que les emprunts auxquels ils sont affectés comme garantis par les contrats y respectifs, seront éteints complètement en conformité des dispositions du présent Iradé.

Addition to the above, agreed to, but submitted to the Porte for decision whether it should be inserted in the Iradé.

Les dites sûretés auront la priorité sur toute autre hypothèque que le Gouvernement Impérial aurait concédé après le présent Iradé sur les recettes hypothéquées par les dits contrats d'emprunts.

No. 262.

Lord Tenterden to Sir R. Lingen.

Sir, *Foreign Office, November 21, 1881.*

I AM directed by Earl Granville to transmit to you, to be laid before the Lords Commissioners of Her Majesty's Treasury, a copy of a letter from the Colonial Office stating the views of the Earl of Kimberley as to the various points at issue between Her Majesty's Government and the Porte in regard to the amount of the surplus revenue of Cyprus, and the rate at which it should be converted into Turkish pounds;* and I am to request you to inform their Lordships that Lord Granville agrees in the views expressed in this letter, and proposes, with their Lordships' concurrence, to forward a copy of it to Lord Dufferin, and to instruct him to make a communication in the sense of it to the Porte at such a time and in such a manner as he may consider opportune.

I am, &c.
(Signed) TENTERDEN.

No. 263.

The Earl of Dufferin to Earl Granville.—(Received November 24.)

E
(No. 1016.)
My Lord, *Constantinople, November 16, 1881.*

I BEG to forward, for your Lordship's information, copies of the drafts of the arrangement come to between the Delegates of the bondholders and the Commissioners of the Porte in the form of a proposed Iradé.

* No. 235.

Part I enumerates the revenues to be assigned to the bondholders.

Part II exhibits the organization of the administrative body.

I shall have the honour of forwarding Part III in a few days. Part III will deal with the mode of liquidation.

I have, &c.
(Signed) DUFFERIN.

Inclosure in No. 263.

Proposed Iradé respecting Arrangement between the Porte and the Bondholders.

Ire Partie.

Article 1.

LES emprunts auxquels s'applique le présent Iradé sont énumérés dans le Tableau ci-annexé (Annexe No. 1).

Article 2.

Le Gouvernement Impérial cède et abandonne d'une manière absolue et irrévocable pour le service de ces emprunts et jusqu'à leur complète extinction les revenus suivants :—

(*a.*) Les monopoles du tabac et du sel.

(*b.*) Les produits des impôts sur les tabacs, le sel, les spiritueux, les soies, les pêcheries, et les timbres dans toute l'étendue du territoire Ottoman, conformément à la liste des localités qui est jointe au présent Iradé (Annexe No. 4).

Les six contributions ci-dessus désignées seront perçues dans les conditions indiquées au Chapitre des Pouvoirs du Conseil, qui est établi ci-après.

Les timbres mobiles et papiers timbrés nécessaires pour le service des opérations du Conseil lui seront fournis par le Gouvernement sous la surveillance et aux frais de ce dernier.

[(inserted) (*c.*) Le produit et l'administration du Tumbeki; mais dans le cas où le Tumbeki produirait annuellement plus de £ T. 50,000, l'excédant reviendrait au Trésor.]

(*c.*) Le produit de l'élévation des droits de Douane pouvant résulter de la révision des Traités de Commerce de l'Empire Ottoman.

(*d.*) L'excédant de revenu qui devra résulter de l'application générale de la Loi sur les Patentes comparativement aux recettes de l'impôt actuel du Temettu.

(*e.*) Le tribut de la Principauté de Bulgarie.

(*f.*) L'excédant des revenus de l'Ile de Chypre.

Toutefois le tribut de Bulgarie ou l'excédant administratif de l'Ile de Chypre n'étant pas actuellement à la disposition du Gouvernement Impérial, il y sera pourvu par l'abandon d'une somme annuelle de £ T. 100,000 à prélever sur la dime des tabacs, en compensation du tribut de la Bulgarie, et par l'abandon d'une autre somme annuelle de £ T. 130,000 à prélever sur les Douanes de Constantinople, et garantie par la Banque Impériale Ottomane, en compensation de l'excédant administratif de l'Ile de Chypre. Ces deux sommes entrent dans le compte des recettes assurées aux créanciers à partir de la mise en vigueur du présent Acte et seront administrées, perçues, encaissées, et réalisées de la même façon qu'il est dit au Chapitre des Pouvoirs du Conseil.

(*g.*) La contribution administrative de la Roumélie Orientale, comprenant la redevance annuelle de cette province fixée actuellement à £ T. 240,000 plus les arriérés à partir du 1er Mars, 1880, les augmentations ultérieures dont cette redevance est susceptible aux termes de l'Article 5 du Statut Organique, et enfin la somme de £ T. 5,000 représentant le produit net annuel des Douanes de la dite province. Le Conseil d'Administration recevra les dites sommes par les soins de la Banque Impériale Ottomane dans les Caisses de laquelle elle doivent être déposées. En cas de retard dans les versements aux échéances arrêtées, le Gouvernement Impérial fera toute diligence pour rétablir l'exécution des engagements de la province.

Les Tarifs et Règlements relatifs aux revenus concédés ne pourront être modifiés que de commun accord entre le Gouvernement et le Conseil.

Article 3.

Le Gouvernement Impérial cède également pour l'amortissement des emprunts énumérés ci-contre toutes les sommes lui revenant comme parts contributives de la Serbie, du Monténégro, de la Bulgarie, et de la Grèce dans la Dette Publique Ottomane, d'après les dispositions arrêtées au Traité de Berlin, et dans l'Article X de la Convention de Constantinople du 24 Mai, 1881. Ces sommes soit en capital, soit en intérêt, seront appliquées à l'amortissement des dits emprunts au prorata de leurs montants respectifs résultant de l'enregistrement des titres, et si l'unification de la Dette Ottomane s'accomplit ultérieurement, elles seront appliquées au rachat d'une partie de la Dette Unifiée, tous les titres étant traités sur le même pied. L'amortissement se fera toujours par achats ou tirages selon les règles édictées ci-après.

IIme Partie.—Conseil d'Administration.

1.—Organisation.

Article .—*Nomination des Membres du Conseil.*

Un Conseil d'Administration est établi pour l'administration, la perception, la réalisation et l'encaissement de tous les dits revenus et autres ressources concédés.

Le Conseil, dont les pouvoirs sont ci-après désignés, se composera de sept membres, nommés comme il est dit ci-après :—

Un membre représentant les porteurs Anglais, et qui représentera aussi les porteurs Néerlandais, qui sera nommé par le Council of Foreign Bondholders de Londres, ou à son défaut par le Gouverneur de la Banque d'Angleterre, ou à son défaut par une Résolution adoptée en Assemblée ("Meeting") Générale des porteurs Anglais et Néerlandais tenue à Londres.

Un membre représentant les porteurs Français; un membre représentant les porteurs Allemands; un membre représentant les porteurs Austro-Hongrois; qui sera nommé par le Syndicat des établissements financiers de Paris, Berlin, et Vienne, ayant adhéré à la communication du Gouvernement Ottoman du 23 Octobre, 1881 (s.s.), et, s'il y a lieu, leur choix sera approuvé par une Assemblée Générale des porteurs Français, Allemands, et Austro-Hongrois, dans chacune des capitales ci-dessus désignées.

Un membre représentant les porteurs Italiens, qui sera nommé par le Syndicat des Chambres de Commerce du Royaume institué à Rome et, s'il y a lieu, leur choix sera également approuvé par une Assemblée Générale des porteurs tenue à Rome.

Un membre représentant les porteurs Ottomans, qui sera nommé par une Assemblée Générale de ces derniers, réunis à Constantinople sur la convocation de son Excellence le Préfet de la ville.

Un membre représentant les porteurs des obligations privilégiées, qui sera nommé par la Banque Impériale Ottomane, ou à son défaut par une Résolution adoptée en Assemblée Générale des porteurs.

Il sera pourvu aux vacances qui se produisaient dans le Conseil dans les mêmes conditions.

Les dites nominations seront notifiées aux Représentants de la Sublime Porte à Londres, Paris, Berlin, Vienne, et Rome. La nomination du membre des porteurs Ottomans, et du membre des porteurs des obligations privilégiées, sera notifiée à son Excellence le Ministre des Finances Ottomans.

Article .—*Mode de Convocation des Assemblées des Porteurs.*

Les Assemblées Générales, qui pourront concourir selon les prévisions de l'Article précédent à la nomination des membres du premier Conseil, seront convoquées dans chaque pays par le Délégué qui représente actuellement ses porteurs.

Lorsqu'il s'agira de pourvoir à une vacance dans le Conseil l'Assemblée des porteurs sera convoquée par le Conseil d'Administration.

Dans l'un et l'autre cas les Assemblées seront tenues conformément aux formes prescrites par l'autorité qui les aura convoquées.

Les Résolutions de ces Assemblées seront limitées à l'objet qui en aura motivé la convocation.

Article .—*Présidence du Conseil.*

Eu égard au nombre et à l'importance beaucoup plus considérable des titres Ottomans détenus en Angleterre et en France, la présidence annuelle du Conseil sera dévolue alternativement, pendant une période de cinq ans, et d'après l'ordre établi par le premier choix du Conseil, aux représentants Anglais et Français.

Dans le cas où cette situation viendrait à se modifier essentiellement après une première période de cinq ans le Conseil élira son Président.

En cas d'absence ou d'empêchement temporaire du Président, et pendant la durée de cette absence ou de cet empêchement, la Présidence sera exercée par le Doyen du Conseil.

Article .—*Voix des Membres du Conseil.*

Les membres du Conseil auront chacun une voix, mais, en cas de partage le Président aura voix prépondérante.

Article .—*Période de Mandat et Traitements des Membres du Conseil.*

Les membres du Conseil seront nommés pour cinq ans, et ils siégeront jusqu'à l'installation du nouveau Conseil. Ils pourront être réélus à l'expiration de leur mandat.

Les traitements des membres du Conseil seront fixés ainsi qu'il suit :—

2,000*l.* sterling à chacun des représentants des porteurs étrangers venant de l'étranger.

1,200*l.* sterling à chacun des représentants des porteurs étrangers, ou des porteurs Ottomans qui serait choisi parmi les résidents du pays.

500*l.* sterling au représentant des porteurs des obligations privilégiées.

Tout employé au service du Gouvernement Ottoman, sujet étranger ou Ottoman, qui serait nommé membre du Conseil, sera tenu de quitter ce service pour toute la durée de son mandat.

Tout étranger qui, étant en mission en Turquie de la part d'un Gouvernement étranger, serait élu membre du Conseil, devra également abandonner le service de son Gouvernement, et il sera traité sur le même pied que les membres du Conseil qui seraient venus des pays étrangers.

Article .—*Révocation de Mandat des Membres du Conseil.*

Si un membre du Conseil venait à manquer à ses devoirs sa révocation serait prononcée par les autorités de qui il tient son mandat, mais dans ce cas, sur la proposition ou avec l'approbation du Conseil.

Article .—*Siège du Conseil, Quorum, &c.*

Le siège du Conseil sera à Constantinople.

La première réunion du Conseil aura lieu immédiatement après la nomination de ses membres.

Deux mois après la publication du présent Iradé la présence de trois membres régulièrement nommés sera suffisante pour permettre au Conseil d'entrer en fonctions et d'expédier les affaires.

Une fois tous les membres nommés et réunis à Constantinople, la présence de trois membres au moins sera nécessaire pour rendre valable l'expédition des affaires.

Pendant la durée des vacances le Conseil conservera le droit de prendre toutes décisions en conformité avec ses pouvoirs constitutifs.

Article .—*Règlements intérieurs du Conseil, Directeur-Général, &c.*

Le Conseil arrêtera les Règlements concernant les délibérations et l'expédition des affaires.

Le Conseil nommera un Directeur-Général de l'Administration qui aura, sous l'autorité de celui-ci, la gestion des affaires. Il représentera le Conseil vis-à-vis des tiers pour l'exécution des décisions, et exercera au besoin toutes les actions judiciaires, sauf à se faire délivrer les autorisations nécessaires pour comparaître devant les Tribunaux ou autres judiciaires, soit comme demandeur, soit comme défendeur, au nom de l'Administration des Revenus concédés.

2.—Pouvoirs du Conseil.

Article .—*Administration et Encaissement des Revenus.*

Le Conseil d'Administration aura l'administration, la perception et l'encaissement directs, par le moyen des agents relevant de son autorité, de tous les revenus et autres ressources concédés. Le Conseil en réalisera la valeur, et en appliquera le résultant intégral, déduction faite des frais d'administration et de recouvrement, au service des intérêts et de l'amortissement des obligations privilégiées, et de la Dette Consolidée Ottomane, conformément aux dispositions de la IVe Partie du présent Iradé.

Quant au mode d'assurer aux créanciers de la même dette l'excédant des droits de la Douane, et de celui des patentes, il fera l'objet de dispositions spéciales.

Les Caisses de l'Administration accepteront les monnaies Ottomanes ou étrangères aux mêmes conditions que les Caisses de l'État les accepteront.

Article .—*Modifications du Système d'Administration.*

Toutes les modifications et améliorations qui pourront être introduites dans le système actuel des Six Contributions Indirectes, sans sortir des limites de lois ou règlements existants, et sans imposer de charges nouvelles aux sujets Ottomans, seront décidées par le Conseil. Pour les autres modifications ou améliorations à introduire dans le système des Six Contributions Indirectes ou des autres revenus, il devra intervenir un accord préalable entre le Gouvernement Impérial et le Conseil.

Le Gouvernement s'engage à faire connaître au Conseil, dans un délai de six mois au plus tard, son acceptation ou refus des propositions qui lui auront été soumises. Néanmoins, le Gouvernement Impérial déclare dès à présent qu'il ne s'opposera pas en principe à ce qu'il soit pris des arrangements pour exploiter les tabacs et le sel par voie de Régie, sauf, quant aux détails des règlements à promulguer dans ce but, l'accord préalable mentionné plus haut.

Le Gouvernement promulguera à bref délai les propositions dont il a été saisi par le Conseil actuel des Six Contributions au sujet du timbre.

Article .—*Pouvoir d'Affermer ou de donner à Bail.*

Le Conseil aura le droit d'affermer ou de donner à bail des tiers l'un ou l'autre des revenus concédés; mais dans ce cas il restera directement responsable envers le Gouvernement Impérial.

Article .—*Assistances du Gouvernement.*

Le Gouvernement donnera au Conseil, dans l'exercice de son administration, toutes les assistances générales compatibles avec les institutions publiques existantes, et pour la répression de la contrebande; il s'engage à appliquer contre elles les penalités édictées par les lois.

Le Gouvernement accordera à l'Administration du Conseil la protection militaire indispensable à la sécurité du siège principal et de ses services locaux.

En cas de retard dans le versement de la contribution de la Roumélie Orientale, de Chypre, ou du tribut de la Bulgarie, le Conseil aura le droit de s'adresser à la Sublime Porte, et de provoquer des mesures nécessaires pour la rentrée des arriérés.

Article .—*Usage des Locaux.*

Le Gouvernement continuera au Conseil l'usage gratuit des locaux qu'il a déjà mis à la disposition de l'Administration actuelle des Six Contributions Indirectes.

Article .—*Employés de l'Administration, &c.*

Les employés de l'Administration des Revenus concédés seront nommés et révoqués par le Conseil.

Ils seront considérés comme fonctionnaires de l'État dans l'exercice de leurs fonctions.

Le Gouvernement devra prendre en considération bienveillante toute recommandation du Conseil quant à leur rang, avancement, et promotion, dans la hiérarchie Ottomane.

Quant aux employés de l'État qui entreront au service du Conseil d'Administration, il sera statué sur leur situation par un règlement spécial. Les dispositions de ce règlement seront également applicables aux employés d'État qui se trouvent déjà au service de l'Administration des Six Contributions Indirectes. Et il reste entendu que ce règlement ne saurait porter atteinte aux droits du Conseil de nommer ou de révoquer tous ses fonctionnaires, droit qui est déjà en fait exercé par l'Administration actuelle.

Quant aux impôts, contributions, et taxes, l'Administration du Conseil et de ses employés sera traitée sur le même pied que les Administrations de l'État et de ses employés.

Article .—*Charges de la Surveillance.—Employés auxiliaires.*

Les charges résultants de la police et la surveillance des services à exercer par l'État seront supportés par le Gouvernement Impérial. Le Conseil pourra cependant nommer des employés auxiliaires, ne relevant que de lui-même, ainsi que des inspecteurs secrets chargés de prévenir les fraudes, lesquelles devront être punies conformément aux lois.

3.—Devoirs du Conseil.—Contrôle du Gouvernement.

Article .—*Contrôle du Gouvernement.*

L'Administration du Conseil sera soumise au contrôle du Gouvernement Impérial. Ce contrôle s'exercera par un Commissaire, et par des Contrôleurs, nommés par le Gouvernement, et accrédités auprès de la dite Administration.

Article .—*Le Commissaire Impérial.*

Le Commissaire Impérial devra être invité à chaque séance du Conseil. Il y siégera avec voix consultative.

Toute communication du Gouvernement au Conseil et réciproquement sera faite par l'entremise du dit Commissaire.

Article .—*Ressort des Contrôleurs.*

Le ressort de chaque Contrôleur sera déterminé par le Gouvernement Impérial.

Article .—*Droits du Commissaire et des Contrôleurs.*

Le Commissaire et chaque Contrôleur, dans son ressort, auront le droit de prendre connaissance de la gestion du Conseil et de ses employés, d'examiner les livres et autres documents y relatifs, et de procéder à la vérification des Caisses en présence d'un Délégué du Conseil à Constantinople, et de ses chefs de service en province. Mais ils ne pourront pas, dans aucun cas, s'immiscer dans l'Administration.

Le Conseil à Constantinople et ses employés en province, ces derniers, en présence des chefs de services locaux, qui ne peuvent pas refuser leur assistance, seront tenus de leur donner tous les renseignements nécessaires pour l'exercice du Contrôle.

Article .—*Traitements du Commissaire et des Contrôleurs.*

Les traitements et frais de voyage des Contrôleurs seront payés par le Gouvernement Impérial.

Les traitements du Commissaire Impérial, qui sont à la charge du Conseil, sont fixés à 1,200*l.* sterling.

Article .—*Surveillance secrète.*

Les surveillants secrets de l'Administration recevront, à l'instar de ceux du Gouvernement, la partie usuelle des amendes et des doubles droits à payer par les contrevenants.

Article .—*Budget Annuel du Conseil.*

Le Conseil d'Administration sera tenu de dresser, selon les règles en vigueur, et de présenter au Ministère Impérial des Finances, deux mois avant le commencement de chaque année, un Budget destiné à être inséré au Tableau du Budget Général de l'Empire.

Ce Budget indiquera les prévisions du Conseil sur les recettes et dépenses, notamment sur les sommes qui pourront être appliquées, dans le courant de la dite année, aux créances des obligations privilégiées, et au service de la Dette Consolidée.

Article. —*Approbation du Budget par le Gouvernement.*

Ce Budget sera dressé et présenté conformément aux règlements existants, et il sera approuvé par le Gouvernement Impérial dans le délai de deux mois.

Il sera inséré au Budget Général de l'Empire.

Le Ministère des Finances remettra au Conseil un extrait certifié du susdit Budget concernant l'Administration en question.

Article —*Etats mensuels du Conseil.*

Le Conseil sera tenu de présenter, tous les mois, d'après les renseignements qu'il aura reçus, et selon les règles et les usages en vigueur, au Ministère Impérial des Finances, un état indiquant les encaissements généraux opérés sur les revenus et ressources en question, ainsi que les paiements effectués dans le même mois.

Le Conseil aura de même à soumettre, à l'expiration de chaque année d'exercice, son compte général définitif au Ministère sus-énoncé.

Article —*Comptes semestriels du Conseil.*

Le Conseil présentera, chaque semestre, au Ministère Impérial des Finances, le compte nécessaire, indiquant les envois faits à l'étranger à valoir sur le service de la Dette Consolidée, et les paiements effectués aux porteurs.

No. 264.

The Earl of Dufferin to Earl Granville.—(Received November 24.)

(No. 1023. Confidential.)
Constantinople, November 18, 1881.

My Lord,

I HAVE the honour to inform your Lordship that I learn from Mr. Bourke that the Delegates of the Sublime Porte and of the bondholders came to a satisfactory agreement yesterday. All that is now required to complete the arrangement is that it should be passed by the Council of Ministers and sanctioned by an Imperial Iradé.

I have, &c.
(Signed) DUFFERIN.

No. 265.

Lord Tenterden to Sir R. Lingen.

Foreign Office, November 24, 1881.

Sir,

I AM directed by Earl Granville to request that you will call the attention of the Lords Commissioners of Her Majesty's Treasury to the accompanying copy of a note from the Turkish Ambassador, stating that the Porte feels bound to hold the surplus revenue of Cyprus at the disposal of the holders of the loans, to the service of which the revenues of the island were assigned, and offering to provide for the service of the 1855 Guaranteed Loan from other revenues of the Empire.* Earl Granville proposes to inform Musurus Pasha that Her Majesty's Government are not prepared to depart from the decision communicated to Assim Pasha by Her Majesty's Ambassador at Constantinople on the 4th August, a copy of which is inclosed for convenience of reference†

I am, &c.
(Signed) TENTERDEN.

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* No. 255.

† Inclosure 1 in No. 188.

No. 266.

Sir R. Lingen to Lord Tenterden.—(Received November 25.)

Treasury Chambers, November 25, 1881.

My Lord,

THE Lords Commissioners of Her Majesty's Treasury have had before them your letter of the 24th instant, inclosing the copy of a note from the Turkish Ambassador, stating that the Porte feels bound to hold the surplus revenue of Cyprus at the disposal of the holders of the loans, to the service of which the revenues of the island were assigned.

I am to state that my Lords entirely concur in the proposal of the Secretary of State to inform Musurus Pasha that Her Majesty's Government are not prepared to depart from the decision communicated to Assim Pasha by Her Majesty's Ambassador at Constantinople on the 4th August, viz., that Her Majesty's Government does not recognize the assignment of the Cyprus revenues to the Administration of the Six Contributions, and that, as it would appear that the Ottoman Government contemplates the postponement of the rights of the Guaranteeing Powers under the Convention of the 27th June, 1855, and to transfer part of this security to the parties to the Convention of the 22nd November, 1879, Her Majesty's Government have decided, in order to maintain the prior claim of the Guaranteeing Governments, to instruct the High Commissioner of Cyprus to suspend any further payments on account of the surplus revenue.

I have, &c.
(Signed) R. R. W. LINGEN.

No. 267.

The Earl of Dufferin to Earl Granville.—(Received November 27, 11·30 P.M.)

(No. 434.)
(Telegraphic.) *Constantinople, November 27, 1881, 4·45 P.M.*

AT a meeting of the Indemnity Commission yesterday the Turkish Delegates submitted that they had certain revenues which they considered as still unhypothecated to the bondholders, emanating from the tithes, sheep tax, and property tax, and promised that at the next sitting they would nominate the localities [?] from which they might be drawn.

The Russians, on their part, seem to have modified their original demand for direct control and for a Commission, and have now proposed that the Ottoman Bank should be intrusted with the encashment of the money.

No. 268.

The Earl of Dufferin to Earl Granville.—(Received November 28.)

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(No. 1030. Confidential.)
Constantinople, November 21, 1881.

My Lord,

I HAVE the honour to inclose, for your Lordship's information, a Report by Mr. Dragoman Preziosi of the impressions prevailing at the Porte in reference to the views of Russia on the indemnity question.

An intimation of a similar kind to that noted by Mr. Preziosi was made to me by Said Pasha, which I communicated to your Lordship by telegram, and there is no doubt that demands both for the localization and control of specific revenues within a definite geographical area, apparently in Asia Minor, have been more or less directly moved by the Russian Ambassador and M. Thörner.

As your Lordship is aware, the revenues assigned to the Galata bankers, and known under the name of the Six Contributions, are controlled and collected by an administration numbering upwards of 6,000 persons, spread throughout the country, and sometimes exercising their authority, as may be seen from our Consular Reports, in a very arbitrary manner. When, therefore, the Russian Representative talks of controlling certain localized taxes, it is not surprising that the Porte should take the alarm, and should see in the proposal the germ of a dangerous organization. Allow-

ances, however, must be made, not only for the spirit of exaggeration which would be natural to a weak and timid Government, in reference to any suggestion of the sort emanating from a powerful neighbour, but also for the probability that in addressing the British Ambassador on the subject the Porte would be inclined to misrepresent as well as to exaggerate.

Under these circumstances, I thought it advisable to call on M. Novikoff, and having touched on the rumours which were current in reference to his demands requested him to acquaint me, so far as he thought proper, with the real nature of his proposals, in order that I might contradict whatever was untruly reported about them, and thus remove the unfounded suspicions to which any misrepresentations would be calculated to give rise.

M. Novikoff said he was very much obliged to me for my frankness, the motives for which he fully appreciated; and he then proceeded to inform me that although the subject had not yet really been more than touched upon, and he himself had not elaborated any definite plan, his Government certainly considered itself entitled to claim that whatever revenues the Turks might offer them as security for the war indemnity should be revenues emanating from a definite area. In other words, that they should be localized, and that they should be collected under some system of control on the part of Russia, which would ensure their punctual payment. He added that, whatever might be the nature of the proposition, it would be cast in such a form as not to alarm the Ottoman Government. With this view, the Controller to be nominated on the part of Russia would probably be some official detached from a bank at St. Petersburgh, or perhaps even a representative of some local bank. It was quite true the administration of the Six Contributions was a gigantic *imperium in imperio*, and it might not have been unreasonable for Russia to have expressed her jealousy of such a creation; but the revenues of which Russia demanded the assignment were insignificant in amount compared with those into the administration of which the bondholders were about to enter, and that consequently it would be absurd to suppose that he or those he represented entertained any *arrière-pensée* or concealed an ulterior political design under the contemplated arrangement. All that he desired was to make certain that Russia should get the money owing to her duly paid, and he hoped I would so represent the matter to your Lordship.

From my long acquaintance and intimacy with M. Novikoff, and thorough knowledge of his character, I have no hesitation in saying that these assurances on his Excellency's part are perfectly sincere and truthful. I do not believe that at this moment M. Novikoff looks to anything beyond the annual encashment of the interest on the indemnity. He argues that a simple undertaking on the part of the Porte or of the Minister of Finance to pay the money is valueless, and that Russia must be given the means of tapping the stream at its source before it is dissipated at Constantinople. In fact, he would treat the Empire like a bankrupt estate, and put a receiver in charge. But notwithstanding the purity of his intentions, and the well-founded character of his misgivings as to the chances of Russia obtaining her money by simply confiding in a promise on the part of the Porte, it is evident that the moment a foreign Power acquires the right to intervene in the levying of taxes within certain geographical limits, a basis is created for future encroachments. If a number of specified taxes are handed over in their entirety to Russia, the native Government officials will have no longer any interest in promoting their collection, and as a consequence they will be apt to fall short of the guaranteed amount. Complaints will then be raised as to the inefficiency of the local machinery for the encashment of the hypothecated revenues. Arrears may accumulate, and in a short time a claim may be established over a Turkish province of a very anomalous, indefinite, and dangerous character. In fact, such an arrangement must eventually end in the Russian Agency acquiring a considerable amount of executive control within the limits of the territory which has been made responsible for the Russian claim. If, as Assim Pasha has hinted, the districts to be allocated are along the Armenian frontier, the arrangement may assume a still more complicated character.

After having dealt with the foregoing elements of the question, M. Novikoff turned to the pledge recently given by the Turkish Delegates to Mr. Bourke and the Representatives of the bondholders, to the effect that, should the agreement come to with them be hereafter abrogated, their original claims should revive in all their plenitude. "If," said M. Novikoff, "Mr. Bourke's contention is admitted, that all the revenues of Turkey have been hypothecated to the bondholders, the Russian indemnity will remain to all eternity a second charge. Now, what we claim is that it should be recognized as a first mortgage upon such revenues as have not been already

specifically assigned." "Then, again," he continued, "they have given the bondholders the Bulgarian tribute, in spite of my having told the Minister for Foreign Affairs that Russia could never admit that the Bulgarian tribute, as provided for under the Treaty of Berlin, is identical with the income which formerly flowed into the Imperial Exchequer from that province. In acting as they have done, the Turks have thrown an apple of discord into the bondholders' sack."

I have, &c.
(Signed) DUFFERIN.

Inclosure in No. 268.

Memorandum.

D'APRÈS les renseignements que j'ai pu recueillir à la Porte, les Russes auraient effectivement donné à entendre au sein de la Commission qu'ils désireraient exercer un certain contrôle sur la Province de l'Asie Mineure, dont les revenus seront affectés à l'amortissement de l'indemnité de guerre. La province qu'ils auraient en vue ne serait autre qu'Erzéroum. Assim Pacha m'a pourtant affirmé que les Russes ne s'étaient pas encore tout à fait prononcés à cet égard, qu'ils n'ont fait qu'effleurer la question, et que, pour le moment, ils n'ont parlé que de l'envoi d'un Commissaire dans la province à désigner.

J'ai également appris que pour le moment il n'est pas question d'adjoindre un spécialiste Allemand à la Commission, mais il pourrait se faire que plus tard Wettendorf Bey soit désigné pour prendre part à la discussion des détails.

(Signé) R. PREZIOSI.

Péra, le 18 Novembre, 1881.

No. 269.

The Earl of Dufferin to Earl Granville.—(Received November 28.)

(No. 1040. Confidential.)
My Lord, *Constantinople, November 22*, 1881.

I HAVE the honour to transmit herewith to your Lordship a copy of the note addressed on the 15th September last by M. de Novikoff to the Sublime Porte on the subject of the Russian war indemnity.

This note came into my possession fortuitously, and will doubtless be of interest to your Lordship.

I have, &c.
(Signed) DUFFERIN.

Inclosure in No. 269.

M. Novikow to Assim Pasha.

M. le Ministre, *Buyukdéré, le 15 Septembre*, 1881.

LES pourparlers engagés depuis quelque temps entre le Gouvernement de Sa Majesté le Sultan et les porteurs des titres de la Dette Publique Ottomane ont dû naturellement attirer l'attention de l'Ambassade Impériale.

Elle ignore les bases de l'arrangement qui est discuté, et n'entend pas s'immiscer dans la négociation que la Sublime Porte est libre de mener séparément avec ses créanciers occidentaux. Créancière elle-même de la Turquie pour la somme de l'indemnité de guerre, la Russie ne peut que se féliciter de lui voir aborder la liquidation de ses engagements financiers, qui faciliterait d'autant le mouvement de la créance Russe.

Mais nous ne saurions nous désintéresser de la marche d'une négociation qui touche de si près à nos intérêts. En face de l'entente séparée que la Sublime Porte elle-même cherche à établir avec les détenteurs des titres, il nous appartient d'affirmer simultanément nos droits.

Le point de vue du Cabinet Impérial est nettement tracé. Il a été exposé par ses Plénipotentiaires dans la onzième séance du Congrès de Berlin. Tout en

reconnaissant le droit de priorité des anciennes dettes de la Turquie en tant qu'elles reposent sur des hypothèques antérieurement affectées à ces dettes, le Gouvernement Impérial a pris rang par ordre de date parmi les créanciers de la Sublime Porte, et ne saurait reconnaître à celle-ci le droit d'aliéner en faveur de ses anciens créanciers des revenus qui n'existaient pas encore, comme, par exemple, le tribut de la Bulgarie, ou ne se trouvaient pas engagés à l'époque de la signature du Traité de Berlin aussi longtemps que les ressources qui doivent garantir son indemnité de guerre n'auront pas été convenues et déterminées par une entente entre les deux Gouvernements.

La note Ottomane du 3 Octobre, 1880, avait indiqué une série de revenus publics destinés à garantir le paiement tant de la dette consolidée ou flottante que de l'indemnité de guerre Russe, qui devait faire partie du même arrangement.

J'apprends aujourd'hui par voie des journaux que ce programme a été modifié, c'est-à-dire que notre indemnité de guerre aurait été exclue de l'entente négociée avec les délégués des porteurs des titres. Nous reconnaissons l'utilité de ne pas confondre ces deux opérations. Mais alors les revenus énumérés dans la note en question ne doivent pas non plus être alloués en totalité à l'une d'elles seulement, et il devient indispensable de délimiter dès à présent les domaines des hypothèques respectives, afin qu'il n'en résulte pas des compétitions fâcheuses. En effet, pour que l'œuvre entreprise par le Gouvernement Ottoman puisse être menée à bonne fin, il importe que tous les droits acquis soient respectés, tous les intérêts en souffrance rassurés par un maniement scrupuleux et conforme aux engagements assumés par la Sublime Porte.

L'Article IV du Traité de Paix signé à Constantinople le 27 Janvier, 1879, en fixant l'indemnité de guerre à 802,500,000 fr., stipule que "le mode de paiement de cette somme et la garantie y affecter seront réglés par une entente entre le Gouvernement de Sa Majesté l'Empereur de Toutes les Russies et celui de Sa Majesté l'Empereur des Ottomans."

Le moment est venu de mettre cette clause à exécution.

Je viens donc, d'ordre du Gouvernement Impérial, prier votre Excellence de procéder à la dite entente, en me désignant tout d'abord, et avant de s'engager vis-à-vis des autres, les garanties que le Gouvernement de Sa Majesté le Sultan compte affecter au paiement de notre indemnité de guerre, tant du nombre des ressources indiquées dans sa note du 3 Octobre, que sur d'autres revenus de l'État qui pourraient être assignés à la même destination.

Veuillez, &c.
(Signé) NOVIKOW.

No. 270.

The Earl of Dufferin to Earl Granville.—(Received November 29.)

(No. 438.)
(Telegraphic.) *Constantinople, November 28, 1881, 11·58 P.M.*

SAID PASHA informs me that the language and tone of the Russian Ambassador have much moderated within the last day or two, in consequence, as he believes, of instructions from St. Petersburgh.

His Highness said he thought the intervention of the Ottoman Bank in connection with the war indemnity was an arrangement which might be accepted by the Porte. He added that Russia was very anxious to obtain the Bulgarian tribute, and he asked my opinion as to whether it would be safe to mortgage it. I replied that it was a difficult question to answer. His Highness then asked whether England and France would accept the Bulgarian tribute as security for the Guaranteed Loan. I told him that I would submit the idea to your Lordship, but that I doubted whether there was much chance of its being favourably considered either in London or in Paris.

No. 271.

Lord F. Cavendish to Lord Tenterden.—(Received November 30.)

Treasury Chambers, November 29, 1881.

My Lord,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith, with reference to your Lordship's letter and inclosures of the 21st instant

respecting the determination of the amount of the Cyprus Tribute, copy of a letter of the 26th instant which my Lords have caused to be addressed to the Colonial Office on the above question; and I am to request that you will call Lord Granville's attention to the observation which they have offered therein on the subject of deductions for Crown lands.

I have, &c.
(Signed) F. CAVENDISH.

Inclosure in No. 271.

Lord F. Cavendish to Mr. Herbert.

Sir, *Treasury Chambers, November 26, 1881.*

I AM directed by the Lords Commissioners of Her Majesty's Treasury to state to you, for the information of Lord Kimberley, that they have given their attentive consideration to your letter of the 31st ultimo on the subject of the Cyprus surplus due to the Porte under the Convention of 1878; and I am to say that they have much satisfaction in assenting generally to the proposals of the Secretary of State.

They think—

1. That no advantage would be derived from further negotiation with the Porte, and that the conclusion which may now be arrived at by Her Majesty's Government should be announced to the Porte as final.

2. That the cost of the Turkish garrison should be deducted.

3. That the excess of expenditure in the Commercial Court, for which Sir R. Biddulph contended, should not be pressed, upon the understanding that the Turkish Government never paid anything beyond the actual receipts.

As, however, regards the deduction on account of Crown lands, my Lords entertain some doubt. No doubt the Porte would not be in a position to complain if it was held strictly to its own statement of the facts, but my Lords observe, from the Memorandum inclosed in your letter, that Sir H. Layard, not being able to verify the Turkish statement of 905,127 piastres, did not accept it implicitly, but settled the question by offering 5,000*l.* a-year, or 605,000 metallic piastres. My Lords would suggest that the Government of Cyprus should deduct from the surplus the same amount as that which Sir H. Layard accepted as the basis of his agreement.

My Lords agree further with the Secretary of State that the temporary deductions which you describe in paragraphs 18, 19, and 20 of the letter under reply should continue to be made.

My Lords see no reason to demur to the principle upon which Lord Kimberley proposes to fix the net sums payable to the Porte, but they may postpone further remarks upon this point until his Lordship shall have received the Report which you state (paragraph 23) he has desired Sir R. Biddulph to make.

I have, &c.
(Signed) F. CAVENDISH.

No. 272.

Sir E. Thornton to Earl Granville.—(Received December 1.)

(No. 562.)
My Lord, *St. Petersburgh, November 28, 1881.*

IN order to carry out the instruction conveyed to me in your Lordship's despatch No. 387 of the 11th instant, I addressed a note on the 21st instant to M. de Giers, communicating to him the substance of your Lordship's despatch to the Earl of Dufferin No. 744 of the 4th instant, respecting the Bulgarian tribute.

I have now the honour to inclose copy of his Excellency's reply dated the $\frac{14}{26}$th instant, in which he insists that the Bulgarian tribute cannot be recognized as one of those revenues which had been previously hypothecated in favour of the creditors of Turkey; that Russia has the same right to the revenues not engaged previously to the Congress of Berlin, as the creditors of the Porte have to those which were so engaged; and that consequently it depends upon the Porte to assign the tribute as one of the guarantees for the payment of the war indemnity due to Russia, or to replace it by other more convenient branches of revenue; but that in no case could it

be hypothecated to the other creditors of the Porte without a previous understanding with the Russian Government.

I have, &c.
(Signed) EDWD. THORNTON.

Inclosure in No. 272.

M. de Giers to Sir E. Thornton.

M. l'Ambassadeur, *St. Pétersbourg, le $\frac{1}{13}$ Novembre*, 1881.

JE m'empresse d'accuser à votre Excellence l'exacte réception de sa note du $\frac{8}{20}$ Novembre courant.

Je regrette d'y voir que le Gouvernement de Sa Majesté Britannique se place relativement à la question du tribut Bulgare à un point de vue que le Cabinet Impérial ne saurait partager.

Les déclarations des Plénipotentiaires de Russie au Congrès de Berlin, consignées dans les Protocoles et acceptées par tous leurs collègues, sont d'une clarté qui ne permet aucun doute.

La Russie a reconnu le droit de priorité des créanciers Européens de la Turquie s yhpsr toutes leothèques antérieures.

Par cela même, elle a constaté son droit sur tous les revenus non antérieurement hypothéqués.

Le tribut de la Bulgarie a été établi par le Congrès. Le chiffre n'en est même pas encore fixé, il ne saurait donc constituer une hypothèque antérieure.

Nous ne saurions pas davantage l'envisager comme représentant les anciens revenus que le Gouvernement Turc percevait dans cette province, puisque le Traité de Berlin impose en outre à la Principauté une quote-part proportionnelle dans la dette générale de la Turquie.

Quant à considérer les emprunts contractés par la Porte à l'étranger comme reposant sur la garantie de tous les revenus présents et futurs de l'Empire, cette théorie ne nous paraît pas d'accord avec les principes du droit public et privé. Tout créancier qui prête son argent est sans doute censé compter sur la solvabilité de son débiteur d'après l'ensemble de sa fortune. En cas d'insolvabilité toutes les créances de cette nature sont sur un pied de complète égalité dans le concours constitué pour la liquidation de la faillite, et aucune priorité de date ou autre n'est admise. Chaque créancier est indemnisé d'après la proportion existant entre l'actif et le passif du failli. Mais si le prêt est fait sur hypothèque spéciale, le créancier peut poursuivre devant la loi la saisie du gage spécial sur lequel repose sa créance.

C'est le cas des créanciers étrangers de la Porte. Si l'on revendique pour eux un droit général sur tous les revenus de l'Empire Turc, c'est un droit moral qui appartient également à la Russie, d'autant plus que sa créance repose sur le Traité de Constantinople du 27 Janvier, 1879, qui est un acte international et souverain.

Le Cabinet Impérial doit donc maintenir son point de vue, savoir:—

Que le droit de priorité des créanciers étrangers de la Porte ne s'applique qu'aux hypothèques spéciales engagées antérieurement au Congrès de Berlin, et auxquelles ont été substituées les Six Contributions Indirectes;

Que le même droit appartient à la Russie sur tous les revenus non antérieurement engagés;

Que le tribut de la Bulgarie fait partie de cette dernière catégorie;

Que par conséquent il dépend de la Porte, soit de l'assigner comme une des garanties du payement de l'indemnité de guerre due à la Russie, soit de le remplacer par d'autres branches de revenus plus à sa convenance;

Mais qu'en aucun cas ce tribut ne saurait être donné comme hypothèque aux autres créanciers de la Porte, sans une entente préalable avec le Gouvernement Russe.

Je saisis, &c.
(Signé) GIERS.

No. 273.

Sir J. Pauncefote to the Law Officers of the Crown and Dr. Deane.

Gentlemen, *Foreign Office, December 2*, 1881.

I HAVE the honour to submit, by Earl Granville's direction, the accompanying despatch from Her Majesty's Ambassador at St. Petersburgh, inclosing copy of a note from M. de Giers stating the arguments upon which the Russian Government base their preferential claim either to the Bulgarian tribute or to other revenues of Turkey as a guarantee for the war indemnity,* and I am to request that you will take this note into your consideration with reference to my letter of the 19th ultimo.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 274.

Sir J. Pauncefote to Sir E. Lingen.

Sir, *Foreign Office, December 2*, 1881.

WITH reference to your letter of the 24th instant, I am directed by Earl Granville to transmit to you, to be laid before the Lords of Her Majesty's Treasury, a copy of a telegram from Her Majesty's Ambassador at Constantinople,† stating that the Turkish Prime Minister has asked whether England and France would accept the Bulgarian tribute as security for the Guaranteed Loan, and I am to request you to acquaint their Lordships that Lord Granville proposes with their concurrence to inform Lord Dufferin that Her Majesty's Government have every wish to meet the convenience of the Porte, but that suggestion cannot be entertained before the amount of the tribute has been fixed by the Signatory Powers in accordance with the IXth Article of the Treaty of Berlin, but that if, when that has been done, the proposal is made in a formal shape, they will consult the French Government about accepting it.

I am at the same time to forward for their Lordships' concurrence the draft answer to Musurus Pasha's note of the 15th ultimo.

Lord Granville has thought it right, in view of Assim Pasha's suggestion, not altogether to close the door to the possible acceptance by the Guaranteeing Powers of any sufficient revenues that might be provided by the Porte in lieu of the Cyprus surplus for the service of the 1855 Loan.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

Inclosure in No. 274.

Draft of Letter to Musurus Pasha.

M. l'Ambassadeur, *Foreign Office, December* , 1881.

I HAVE had the honour of receiving your Excellency's note of the 15th ultimo, stating that the Sublime Porte feel bound to hold the surplus revenue of Cyprus at the disposal of the holders of the loans to the service of which the revenues of the island were assigned, and that they offer to provide for the service of the Guaranteed Loan of 1855 from other revenues of the Empire.

In reply to this communication, I have the honour to call your Excellency's attention to the communication addressed to Assim Pasha by Her Majesty's Ambassador at Constantinople on the 4th August last, which was to the following effect: that Her Majesty's Government does not recognize the assignment of the Cyprus revenues to the Administration of the Six Contributions, and that, as it would appear that the Ottoman Government contemplates the postponement of the rights of the Guaranteeing Powers under the Convention of the 27th June, 1855, and the transfer of part of their security to the parties to the Convention of the 22nd November, 1879,

* No. 272.
† No. 270.

Her Majesty's Government have decided, in order to maintain the prior claim of the Guaranteeing Governments, to instruct the High Commissioner of Cyprus to suspend any further payments on account of the surplus revenue.

Her Majesty's Government cannot depart from this decision unless adequate security is given to the Guaranteeing Powers that other revenues sufficient for the service of the 1855 Loan will be provided by the Porte.

I have, &c.

No. 275.

The Earl of Dufferin to Earl Granville.—(Received December 5.)

E
(No. 1057.)

Constantinople, November 26, 1881.

My Lord,

YESTERDAY the Russian Ambassador said that he desired to make a frank communication to me in reference to the present stage of his negotiations with the Porte on the subject of the war indemnity.

His Excellency then proceeded to state that he and the Russian Delegate, M. Thörner, in entering upon these negotiations, had been inspired by the most friendly feelings towards the bondholders and their delegates. They had been prepared to recognize the inferior claims of the bondholders upon all those revenues which had been hypothecated prior to the Treaty of Berlin. That, far from considering their interests as antagonistic to those of Russia, they had been disposed to regard them as perfectly compatible with them, and they had looked forward, if not to an identity, at all events to a unity of action with Mr. Bourke and his colleagues. The Porte, however, had from the outset treated him with great discourtesy, and the delegates of the bondholders with jealousy and suspicion. He had been for a long time kept in the dark as to the arrangements which had been under discussion, and it was with the greatest difficulty he had at last been able to obtain the information he required; and yet it must be admitted that he was entitled to know what were the revenues which the Porte was about to assign away, in order that he might assure himself that none were being dealt with which Russia might justly claim as security for the debt due to her. Even now he could obtain no satisfactory answer upon this latter point. Over and over again he had demanded of the Representatives of the Porte appointed to discuss the question with him what were the sources of income which the Ottoman Government intended to set aside for the payment of the indemnity. The answer given to him was always in general terms. The tithes, the sheep tax, and the property tax had been mentioned, but such proposals were mere pretexts for not coming to the point. Not content with this, the Porte had disseminated the most unfounded misrepresentations as to the real nature of his demands. He had been described as requiring the revenues of a province, with a view to some ulterior political project. He trusted that I had not for a moment given credit to these calumnies. He could assure me he had no *arrière-pensée* of any sort. His one desire was to secure the payment of the money to which his Government was entitled. It would be useless to content himself with a general promise on the part of the Ottoman Government to discharge its obligations by a payment from the national Exchequer. The Turkish Ministers of Finance, as everybody knows, never pay. It would be necessary to intercept the money immediately after it was collected, and before it was handed into the Imperial Treasury. With this view he had required that whatever revenues were allotted for the purpose should be revenues emanating from a specified area, and that a Commissioner of some sort, representing Russian interests, should be present on the spot to verify the due encashment and transmission of the money. He did not care what localities were nominated for this purpose. It was true that his colleague, M. Thörner, had incidentally mentioned Erzeroum, and the Turks had taken advantage of this to attribute to him the design of obtaining a lien over a portion of Armenia. M. Thörner had also mentioned other places, such as Salonica, Constantinople, &c., with which he would be equally well satisfied. In order, moreover, that the arrangement might not have the semblance of foreign intervention, he had suggested that the Russian Commissioner should be an official from some bank in St. Petersburgh, or even, as he subsequently added, that the Ottoman Bank itself should undertake the functions of encashment. Yet to these reasonable proposals the Turks were opposing an obstinate opposition. They would not even discuss his arguments or suggest alternatives.

M. Novikoff then alluded to the concession obtained by Mr. Bourke from the Porte, that the original claims of the bondholders should revive in all their plenitude if the arrangement about to be concluded with them should be ever abrogated. Such a right would be very detrimental to the interests of Russia, for he understood that Mr. Bourke maintained that all the revenues of Turkey, both actual and future, had been mortgaged to the bondholders. This principle would at once invalidate any hypothecations which might now be made on account of the war indemnity, for should, through the bad faith or caprice of the Ottoman Government, the contract with the bondholders be broken, these latter might seek to revive their claim to the revenues which might be assigned to Russia. It would be necessary, then, in coming to an arrangement with the Ottoman Government, that his Government should obtain distinct and positive assurance that the indemnity hypothecations should be recognized as a first charge upon whatever revenues might be devoted to their payment.

His Excellency then reverted to the fact of the Bulgarian tribute having been assigned to the bondholders, and again argued that the tribute, being the creation of the Treaty of Berlin, and consequently an entirely new and unhypothecated revenue, the bondholders could have no possible claim upon it, and that it was, therefore, one of those sources of income to which Russia might have been entitled to look, had she so desired, though in her hands it would have been a *non valeur*. But even in taking this tribute as a security there would have been no question of its being collected directly by Russia. It would have been primarily paid to the Porte, and then handed by the Porte to the Russian Government, so that no inconvenience could have attached to the arrangement.

M. Novikoff then criticized what he understood to be the attitude of Mr. Bourke and his colleagues, and he alluded to a telegram which he had reason to believe Mr. Bourke had addressed to London calling for the English Government and the other European Cabinets to come to his assistance. If such were the fact, the question would then have passed into a new phase. The delegates of the bondholders would no longer represent private individuals, but would have become identified with the Governments of their respective countries, and the administration they sought to organize would then be justly regarded by Russia as a direct *ingérence* on the part of foreign Powers.

In reference to this latter observation I remarked that M. Novikoff might be quite certain that Mr. Bourke had not ventured to address your Lordship in the manner he supposed; that I myself had had no relations whatever with Mr. Bourke, and had kept studiously aloof even from any semi-official contact with him, and that there could be no question of confounding Mr. Bourke and his proceedings with Her Majesty's Government.

In conveying to your Lordship the foregoing exposition of the Russian Ambassador's proceedings and intentions, I have no hesitation in stating that you may put implicit trust in its truthfulness. I am certain that M. Novikoff spoke with the most absolute good faith, and that he is pursued at present by but one idea, namely, that of making such arrangements as will secure the punctual payment of the indemnity. In insisting so strongly with the Porte on the particular mode of attaining his object which he has described, I am almost disposed to think that he may have exaggerated the suggestions for the settlement of the affair conveyed to him by his own Government. M. Novikoff possesses, or rather is possessed, by a very nervous temperament, which sometimes prevents him from appreciating the due proportion of things, and he has undoubtedly imported into his business an amount of passion which has superinduced very strained relations between himself and the Porte. But fully admitting, as I am disposed to do, that M. Novikoff's proposals do not conceal any *arrière-pensée*, and that his Government, if it suggested them, may be equally innocent of any ulterior political design, it is quite evident that the localization of the revenues of any large geographical area, particularly in Asia Minor, and their assignment to Russia under the superintendence of a Russian Controller, no matter from whence he may come, would be an arrangement which could not fail to develop into a source of subsequent embarrassment and danger to Turkey. However undesignedly initiated, when once such a régime as M. Novikoff has sketched had been established, it would eventually be recognized and seized upon as an instrument of pressure or as an occasion of aggression; for it must be remembered, although M. Novikoff did not allude to the fact, that one of the stipulations which Russia seeks to attach to her proposal is, that she should profit by the future expansion of the taxes allocated to her, in the same way as the bondholders are to reap the benefit of the elasticity of those revenues which they have been authorized to administer. The interest accorded to

Russia in this increment implies certain obligations on the part of the Turkish tax-gatherers, which, if unfulfilled, might prove an open door to very serious demands.

Of course the dangers of the contingencies I have indicated admit of being considerably minimized. For instance, the allocation to Russia of the revenues localized in such distant vilayets as those of Baghdad or Tripoli, though possessing inconveniences of its own, could never lead to the consequences which would follow the hypothecation of the similar revenues along the Armenian frontier, and if the Turks are driven into conceding what M. Novikoff desires, it is to be hoped that they will contrive, in some way or another, to render the arrangement as innocuous as possible.

The allusion of M. Novikoff to the substitution of the Ottoman Bank for the Russian Commissioner he at first proposed as the instrument of encashment was very significant, and leads me to hope that he has begun to discover how impossible it is for the Turks to acquiesce in his original proposal. But even so, a process which admits of the taxes of a country being intercepted by the agents of a foreign Power on their way to the State Treasury is one to which no independent Government would willingly submit.

In conclusion, I am bound to state that M. Novikoff assured me that if only the Turks had been prepared to meet him in a conciliatory and amiable manner, Russia, upon her part, would have been willing to show a generous spirit in regard to the amount of her claim.

I have, &c.
(Signed) DUFFERIN.

No. 276.

The Earl of Dufferin to Earl Granville.—(Received December 5.)

E
(No. 1058. Confidential.)
My Lord, *Constantinople, November 28, 1881.*

THE Prime Minister informed me to-day that a considerable change has come over the tone and language of the Russian Ambassador in reference to the war indemnity; that he had become far more moderate in his demands, and that the alteration, his Highness believed, had been consequent upon instructions which his Excellency had received from home.

This information quite corresponds with what I have gathered from other sources. I believe that the principle of a "control" to be exercised by "a Russian Commissioner" has been abandoned, and that the idea hinted at by M. Novikoff in his conversation with me, as reported in my despatch No. 1030 of the 21st instant, of appealing to the intervention of the Ottoman Bank for the encashment of the sums to be paid on account of the war indemnity, has been substituted.

When I asked Said Pasha whether there was any prospect of the Porte seeing its way to acquiesce in an arrangement of this kind, he said that there was.

His Highness then reverted to the subject of the Bulgarian tribute, observing that he had reason to believe that M. Novikoff would be very glad to take it as part security, and he asked me whether I saw any objection. I observed that it was a very difficult question to answer; that of course there were obvious objections, though, perhaps, they might be minimized. On the other hand, as it was evident that Russia would put every obstacle in the way of Turkey's obtaining anything from Bulgaria on account either of debt or tribute, financial advantage might accrue to the Porte from the hypothecation of the latter to Russia.

His Highness then asked me whether I thought that France and England would accept the Bulgarian tribute as security for the Guaranteed Loan. I replied that I did not think that this idea would be regarded favourably either at Paris or London, but that I would submit it to your Lordship.

His Highness said it would have "a good moral effect," by which I understood him to mean that England and France having a lien upon the tribute would be able to oppose Russian encroachments in that quarter.

I have, &c.
(Signed) DUFFERIN.

No. 277.

The Law Officers of the Crown and Dr. Deane to Earl Granville.—(Received December 5.)

My Lord, *Temple, December 3, 1881.*

WE were honoured with your Lordship's commands signified in Lord Tenterden's letter of the 18th November last, stating that, with reference to our Report of the 24th October, he was directed to transmit to us the accompanying copy of a telegram from Her Majesty's Ambassador at Constantinople relative to the preferential claim raised by Russia to certain Turkish revenues as a guarantee for the war indemnity; he was also to inclose copy of a previous telegram from Lord Dufferin bearing on the question; and he was to request that we would favour your Lordship with any observations we might have to make thereon, especially as regarded the argument of the Russian Ambassador at Constantinople, that the term "hypothecation," as used by by Count Schouvaloff at the Congress of Berlin, had reference only to "special hypothecations," and that Russia could not recognize hypothecations of the whole of the Turkish revenues *en bloc*, as nothing would then be left to satisfy the claims of Russia.

That the papers which accompanied the last reference to us on the subject were sent therewith, together with a copy of our Report thereon.

In obedience to your Lordship's commands we have the honour to report—

That we have carefully considered the words used by Count Schouvaloff (p. 164) and by Prince Gortchacow (p. 165) in the Blue Book "Turkey No. 39, 1878," and in our opinion they amount to an admission that the war indemnity is not to affect the rights of the then creditors of the Porte.

In our former Report we expressed our opinion that the Bulgarian tribute must be regarded as being received by the Turkish Government in substitution for the revenue received by that Government from Bulgaria at the time the loans were contracted, and that the tribute was not a new source of revenue, and we are still of that opinion.

We beg to submit, for your Lordship's consideration, that in whatever sense Count Schouvaloff at the Congress may have intended to use the particular word "hypothecation," the context in which the words are found, and the discussion on the subject of the position of the creditors of the Porte, show clearly that the prior and existing rights of those creditors, including those who are not secured by the hypothecation of any special revenues, were not to be postponed to the payment of the war indemnity.

We have, &c.
(Signed) HENRY JAMES.
FARRER HERSCHELL.
J. PARKER DEANE.

No. 278.

The Earl of Dufferin to Earl Granville.—(Received December 7, 3 P.M.)

(No. 440.)
(Telegraphic.) *Constantinople, December 7, 1881, 1·25 P.M.*

AT the Indemnity Commission yesterday it was agreed that encashment of the money due to Russia should be entrusted to the future Council for the Administration of the Six Contributions.

Failing this arrangement, the work goes to some Turkish financial institution approved of by the Turkish Government.

No. 279.

Earl Granville to the Earl of Dufferin.

(No. 808.)

Foreign Office, December 8, 1881.

My Lord,

I HAVE received your Excellency's despatch No. 1030, Confidential, of the 21st ultimo, informing me that you had requested the Russian Ambassador to acquaint you, as far as he was able, with the real nature of his proposals to the Turkish Government with reference to the Russian war indemnity, and giving an account of the language held to you by M. Novikoff in reply; and I have to state to your Excellency that your proceedings in this matter are approved by Her Majesty's Government.

I am, &c.

(Signed) GRANVILLE.

No. 280.

Lord F. Cavendish to Lord Tenterden.—(Received December 10.)

Treasury, December 10, 1881.

My Lord,

WITH reference to the draft reply to the Turkish Ambassador's note, which was forwarded to the Treasury for consideration in Sir Julian Pauncefote's letter of the 2nd instant, relative to an inquiry whether England and France would accept the Bulgarian tribute as security for the Guaranteed Loan of 1855, I am directed by the Lords Commissioners of Her Majesty's Treasury to state that my Lords fully concur in the terms of the proposed draft, with the exception that they would much prefer, on financial grounds, that the last paragraph should run to the effect that "Her Majesty's Government was unable to see in the proposal respecting the Bulgarian tribute any reason for modifying their decision respecting the priority of their right over the surplus revenue from Cyprus."

My Lords would observe, subject to Lord Granville's better judgment of the political aspects of this question, that the surplus revenue of Cyprus is, of all the Turkish revenues on which Her Majesty's Government has either singly, or jointly with France, a lien, perhaps the one which is most within reach, and is the least exposed to interference, whereas the Bulgarian tribute has about it every corresponding disadvantage.

I have, &c.

(Signed) F. CAVENDISH.

No. 280*.

The Law Officers of the Crown and Dr. Deane to Earl Granville.—(Received December 14.)

Temple, December 13, 1881.

My Lord,

WE are honoured with your Lordship's commands signified in Sir J. Pauncefote's letter of the 2nd inst., stating that he had the honour to submit, by your Lordship's direction, a despatch from Her Majesty's Ambassador at St. Petersburgh, inclosing copy of a note from M. de Giers, stating the arguments upon which the Russian Government based their preferential claim, either to the Bulgarian Tribute or to other revenues of Turkey, as a guarantee for the war indemnity; and that he was to request that we would take that note into our consideration with reference to his letter of the 19th ultimo.

In obedience to your Lordship's commands we have the honour to report—

That M. de Giers, in his despatch of the 14th November, 1881, bases his argument on three propositions:

1. That the Plenipotentiaries of Russia, at the Berlin Congress, in recognizing the right of priority of the European creditors of Turkey in respect of all anterior hypothecations, referred only to the case of hypothecations of some specific revenue, and not to that of general hypothecations of the revenues of the Empire.

2. That Russia is entitled to the same right over all revenues not the subject of such anterior specific hypothecation as is possessed in respect of revenues specifically hypothecated by those who enjoy the benefit of such hypothecations.

3. That the Bulgarian Tribute falls within the category of revenues not specifically hypothecated, and that Russia has, therefore, this right over it.

The second of these propositions appears to be in direct conflict with the express declarations of Prince Gortchacow, to be found in Protocol No. 11 of 12th July, 1878 (page 164).

Lord Salisbury having declared, in the name of his Government, that he could not admit that Russia, a creditor, in virtue of the Treaty of San Stefano, could take a rank preferential to that of any of the creditors of Turkey, whose claims bore a date anterior to the war, Prince Gortchacow replied "that he only meant to speak of an analogous situation."

We are not prepared to admit the first proposition contended for by M. de Giers. But it is unnecessary, at present, further to discuss this or the third proposition. The declaration, at the Congress of Berlin, to which we have called attention, seems to us to dispose of the arguments upon which the Russian Government base their preferential claim.

We have, &c.

(Signed) HENRY JAMES.
FARRER HERSCHELL.
J. PARKER DEANE.

No. 281.

The Earl of Dufferin to Earl Granville.—(Received December 14, 1·30 P.M.)

(No. 443.)

(Telegraphic.) *Constantinople, December* 14, 1881, 11·30 A.M.

THE Russians are vigorously pressing the Porte for surrender of Bulgarian tribute as security for the war indemnity. The Minister for Foreign Affairs has appealed to me for advice. I have suggested that he should consult with Austrian Ambassador, which he has done. The Austrian Ambassador has referred the matter home.

His Excellency, whom I have sounded, does not seem to attach much importance to the subject, and inclined to think that the more complete the domination of Russia in Bulgaria, the more disinclined will be the Eastern Roumelian population to insist on that union of the two provinces which it is the interest of Austria to prevent or defer, as it would inevitably entail the Bulgarization of a great part of Macedonia.

In reply to the Porte's request for advice, I have confined myself to stating that I do not consider Russia to have any right to indicate the specific revenues from which the annual payments for the war indemnity are to be drawn. Do you wish me to go beyond this?

No. 282.

Earl Granville to Sir E. Thornton.

(No. 459.)

Sir,

Foreign Office, December 15, 1881.

THE Russian Ambassador called upon me to-day and made the following observations upon the note which your Excellency addressed, under my instructions, to the Russian Government on the 21st ultimo, on the subject of their claim to the Bulgarian tribute as security for the war indemnity.

This note, Prince Lobanow said, lays down as a principle that even in the absence of an express stipulation to that effect, the entire revenues present and future of the Ottoman Empire must serve as a guarantee to the creditors of Turkey, and that consequently Russia has no more right to claim the Bulgarian tribute as a security for her war indemnity than any other portion of Turkish revenues.

His Excellency maintained that the fact alone of the Treaty of Berlin having imposed on Bulgaria, independently of the annual tribute, the obligation of bearing a proportionate part of the Turkish Public Debt, was a superabundant proof that this tribute must be considered as free of all hypothecation.

Now the declarations of the Russian Plenipotentiaries at the Berlin Congress referred only, his Excellency went on to say, to the anterior hypothecations specially attached as security for the different Turkish loans; there was no question of a general hypothecation of

all the revenues of the Empire, and the British Plenipotentiaries made no remark when the President of the Congress, in resuming the discussion, stated that Russia's declarations had been considered satisfactory.

Therefore, to maintain at the present time the opinion expressed in your Excellency's note, Prince Lobanow considered, was going beyond what had been admitted by the British Plenipotentiaries at the Congress, and even beyond the pretensions of the bondholders who, in the fresh arrangement which they were about to conclude with the Porte, asked not for the whole Turkish revenues, but only for some of them as a guarantee.

It was, besides, important to observe, his Excellency continued, that Russia did not enter upon negotiations with Turkey for settling the question of the war indemnity until those of the bondholders had commenced, and that the two negotiations had hitherto continued side by side without prejudice to either; things would, however, be very different if the principles laid down in your Excellency's note were accepted. Their application would have the inevitable result of making the Russian negotiation absolutely impossible, for if, after a voluntary renunciation by Russia of all idea of territorial compensation, her right to claim any of the revenues of Turkey were also contested, there would be nothing left to assign to her as security for the war indemnity.

Nevertheless, this right was clearly laid down by the Treaty of Constantinople, concluded subsequent to the Treaty of Berlin, between Russia and Turkey in 1879.

Prince Lobanow concluded by expressing his disbelief in any intention on the part of Her Majesty's Government to hinder the negotiations carried on by Russia at Constantinople. His Excellency thought rather that the common interests of all the Powers, not excluding Turkey, required that this question of the war indemnity should be settled in a prompt and satisfactory manner, in order that it might not remain in a state of uncertainty which might indefinitely affect the general situation in the East.

I took a careful note of the arguments employed by his Excellency, and observed that these were some of the points which he had raised which I should like to consider.

I am, &c.
(Signed) GRANVILLE.

No. 283.

Pro-memorid communicated to Earl Granville by Prince Lobanow, December 16.

(Confidentiel.)

LA note de l'Ambassadeur d'Angleterre à St. Pétersbourg établit comme un principe que même en l'absence d'une stipulation expresse, tous les revenus de l'Empire Ottoman, présents et futurs, doivent servir de garantie aux créanciers de la Turquie, et que par conséquent la Russie n'a pas plus le droit de réclamer le tribut Bulgare qu'aucune autre portion des revenus Turcs comme garantie de son indemnité de guerre.

Les arguments développés dans la note responsive de M. de Giers me dispensent d'entrer dans de longs détails.

Le fait seul que le Traité de Berlin a imposé à la Bulgarie, *indépendamment du tribut annuel*, l'obligation de supporter *une part proportionnelle de la Dette Publique Turque*, prouve surabondamment que ce tribut doit être considéré comme libre de toute hypothèque.

Or, les déclarations des Plénipotentiaires de Russie au Congrès de Berlin n'ont eu en vue que les hypothèques *antérieures* spécialement affectées à la garantie des différents emprunts Turcs; il n'a pas été question d'une hypothèque générale sur tous les revenus de l'Empire, et les Plénipotentiaires de l'Angleterre n'ont fait aucune observation, quand le Président du Congrès, en résumant la discussion, a constaté que les déclarations de la Russie avaient été reconnues satisfaisantes.

Soutenir maintenant l'opinion exprimée dans la note de Sir Edward Thornton, c'est, selon moi, aller au delà de ce qui a été admis par les Plénipotentiaires Anglais au Congrès de Berlin; c'est même aller au delà des prétentions des "bondholders," qui, dans les nouveaux arrangements qu'ils sont en train de conclure avec la Porte, demandent comme garantie non pas la totalité des revenus Turcs, mais seulement quelques-uns d'entre eux.

Il importe, d'ailleurs, de remarquer que la Russie n'est entrée en négociation avec la Turquie pour le réglement de l'indemnité de guerre, que lorsque la négociation des "bondholders" avait déjà commencée, et que jusqu'ici les deux négociations se sont poursuivies parallèlement, sans qu'aucune des deux ait fait du tort à l'autre.

Il en serait tout autrement du jour où les principes exposés dans la note Anglaise seraient acceptés. L'application de ces principes aurait pour résultat inévitable de rendre la négociation Russe *absolument impossible*, car quelle garantie pourrait être assignée à l'indemnité de guerre, si après que la Russie a volontairement renoncé de ce chef à toute compensation territoriale, on lui conteste le droit de réclamer aucun des revenus de la Turquie?

[* Ce droit est pourtant clairement déterminé par le Traité de Constantinople, conclu entre la Russie et la Turquie en 1879, postérieurement au Traité de Berlin.]

Je me refuse à croire que l'intention du Gouvernement de Sa Majesté la Reine puisse être d'entraver ou de paralyser les pourparlers de la Russie à Constantinople. Je pense plutôt que l'intérêt commun de toutes les Puissances, sans en excepter la Porte, exige que la question de l'indemnité de guerre soit résolue d'une manière prompte et satisfaisante, afin qu'elle ne reste pas à l'état d'une question pendante, dont l'incertitude pèserait indéfiniment sur la situation générale de l'Orient.

Ce $\frac{16}{28}$ *Décembre*, 1881.

No. 284.

Lord Tenterden to the Law Officers of the Crown and Dr. Deane.

Gentlemen, *Foreign Office, December* 17, 1881.

I HAVE the honour to transmit to you herewith a *pro-memorid* communicated to Earl Granville by the Russian Ambassador, stating the views of the Russian Government with regard to their claim on the Bulgarian tribute as security for the payment of the Russian war indemnity and the position in which Russia stands as regards the other creditors of the Porte, as set forth in the 13th Protocol of the Congress of Berlin.

I am directed by Earl Granville to request that you will have the goodness to inform him at your earliest convenience whether the arguments contained in Prince Lobanow's *pro-memorid* in any way alter the opinion given by you in your Report on this subject of the 13th instant, which for convenience of reference is returned herewith, together with the previous papers and the Parliamentary Paper† which contains the Protocols of the Congress.

As you are aware, the question of the fixing of the Bulgarian tribute payable to the Porte and of the proportion of Ottoman debt to be borne by the Principality forms the subject of the IXth Article of the Treaty of Berlin, and the discussions thereon in Congress are contained in the 7th Protocol (pp. 83–85 of the accompanying Parliamentary Paper,‡ and at pp. 162, 164, and 165 (Protocol 11) are recorded the proceedings and declarations with regard to the Russian war indemnity.

I am, &c.
(Signed) TENTERDEN.

No. 285.

The Earl of Dufferin to Earl Granville.—(*Received December* 19.)

E
(No. 1097. Confidential.)

My Lord, *Constantinople, December* 12, 1881.

ASSIM PASHA told me to-day that the Russian Ambassador was bent on obtaining a lien upon the Bulgarian tribute, as part security for the war indemnity, and had hinted at a reduction of the capital sum, if the Porte would agree to such an arrangement. His Excellency had intimated, in reply, that he could not recognize the right of Russia to select any special source of income as a security; that all she was entitled to insist upon was that the money should be forthcoming, which the Porte was perfectly ready to guarantee should be the case from other sources.

His Excellency then appealed to me as to whether he was in his right in holding this language. I replied that certainly the Porte was quite entitled to determine from what revenues the war indemnity was to be paid.

* Added in accordance with Prince Lobanow's private letter of December 16, 1881.
† "Turkey No. 39 (1878)."
‡ Treaty of Berlin, "Turkey No. 44 (1878)."

I then asked his Excellency if he had ever spoken to the Austrian Ambassador on the subject. Finding he had not, I advised him to do so, as it was desirable that the matter should not escape the attention of Count Kalnoky. I gave Assim Pasha the foregoing hint, as, in touching on the point myself with Baron Calice, I found he had not given it any consideration; I also told his Excellency that I would acquaint your Lordship with the purport of our conversation.

Assim Pasha further informed me that the Russians had suggested that the Porte should pay an annuity of 12,000,000 fr., but that he had represented that a much lower amount was all that the present resources of the Porte would admit. Moreover, he had insisted that whatever was paid should be in reduction of the capital sum, as the Porte did not recognize Russia's right to claim interest.

Later in the afternoon I saw Said Pasha, who requested me to again submit to your Lordship the idea of England and France accepting the Bulgarian tribute as security for the Guaranteed Loan, as already mentioned in my despatch No. 1058, Confidential, of the 28th ultimo.

I have, &c.
(Signed) DUFFERIN.

No. 286.

Mr. Meade to Lord Tenterden.—(*Received December* 20.)

Downing Street, December 19, 1881.

My Lord,

WITH reference to paragraph 22 of the letter from this Department of the 31st October last, relative to the surplus revenue due to the Porte from Cyprus, I am directed by the Earl of Kimberley to transmit to you, for the information of Earl Granville, a copy of a despatch from the High Commissioner of Cyprus, reporting the amount of caïmé receipts and caïmé expenditure for the years 1877-78, and also the average value of caïmé for the same period.

I am to point out that, in converting métallique into £ T. 1, in the inclosed despatch Sir R. Biddulph adopts the rate of 110, whereas the rate proposed in paragraph 24 of the letter of the 31st October is $108\frac{19}{43}$ métallique piastres to the £ T.

I am, &c.
(Signed) R. H. MEADE.

Inclosure 1 in No. 286.

Sir R. Biddulph to the Earl of Kimberley.

Nicosia, October 31, 1881.

My Lord,

REFERRING to your Lordship's telegram of the 22nd ultimo, and in continuation of my despatch of the 11th May last, and my letter of the 23rd August, 1881, I have the honour to report that the caïmé receipts of the financial year 1292, ending the 12th March, 1877, amounted to 3,784,364 piastres, and the caïmé expenditure for the same period to 433,064 piastres, leaving net receipt in caïmé 3,351,300 piastres.

The average value of caïmé during the same period was 163 piastres to the £ T., which would give a gold value of £ T. 20,560 for the net caïmé receipts of 1876-77.

2. Similarly I find that the caïmé receipts for the year 1293, ending the 12th March, 1878, amounted to 10,480,076 piastres, and caïmé expenditure for the same period to 2,807,541 piastres, leaving net receipts in caïmé 7,672,535 piastres.

The average value of caïmé during that financial year was 207 piastres to the £ T., which would give a gold value of £ T. 37,065 for the net caïmé receipts of the year 1877-78.

3. It will be observed that the caïmé receipts of the year 1293 (1877) were somewhat larger than I had estimated in my despatch of the 11th May, 1881. In that despatch I had wholly omitted the tithes as therein stated; but when I came to look into the accounts after my return to Nicosia, I found that I had, when at Constantinople, only reduced the tithes belonging to the year 1877 to métallique, and that the arrears of tithes of previous years received in 1877, amounting to nearly 1,500,000 piastres, had been received in caïmé, and had not been included in the conversion into métallique. Their addition has consequently swelled the total caïmé receipts for that year.

4. The net caïmé receipts to be allowed for will then be—

	Piastres.	£ T.
1876–77	3,351,300	= 20,560
1877–78	7,672,535	37,065
Total	11,023,835	57,625

Assuming that the average value of métallique for the five years is taken at 110, as suggested in paragraph 3 of my despatch of the 11th May, 1881, the value of 11,023,835 métallique piastres would be £ T. 100,216. The difference between the two sums of £ T. 100,216 and £ T. 57,625, which is £ T. 42,591, will give the sum to be struck off the five years' gold receipts, one-fifth of which, viz., £ T. 8,518, will be the reduction to be made from the annual tribute.

5. I transmit a Table of the monthly values of caïmé from the 1st January, 1877, to the $\frac{1st}{13th}$ March, 1878, which was furnished to me by the Imperial Ottoman Bank, and from which the average values for the two years have been taken.

I have, &c.
(Signed) ROBT. BIDDULPH.

Inclosure 2 in No. 286.

Cours du Caïmé contre £ T. à 100 piastres du $\frac{1}{13}$ Janvier, 1877, au $\frac{1}{13}$ Mars, 1878.

Year 1292.

1877—	Cours.
$\frac{1}{13}$ Janvier	163½
„ Février	163½
„ Mars	162½
	(Average, 163.)

Year 1293.

1877—	Cours.
$\frac{1}{13}$ Avril	162½
„ Mai	176½
„ Juin	181
„ Juillet	178½
„ Août	178½
„ Septembre	180½
„ Octobre	189½
„ Novembre	197½
„ Décembre	219½
1878—	
$\frac{1}{13}$ Janvier	261
„ Février	282
„ Mars	282
	(Average, 267.)

Caïmé was first issued in October 1876. I can obtain no quotations before 1st January, 1877.

R. B.

No. 287.

The Earl of Dufferin to Earl Granville.—(*Received December* 20, 7·30 P.M.)

(No. 448.)
(Telegraphic.) *Constantinople, December* 20, 1881, 5·30 P.M.

THE Iradé sanctioning the arrangement concluded with the Turkish bondholders has been issued to-day.

No. 288.

Lord Tenterden to Mr. Herbert.

Sir, *Foreign Office, December* 21, 1881.

EARL GRANVILLE has received from the Lords Commissioners of Her Majesty's Treasury a copy of the letter which, by their direction, was addressed to the Colonial Office on the 26th ultimo, respecting the determination of the amount of the Cyprus tribute; and I am directed by his Lordship to request that you will move the Earl of Kimberley to inform Lord Granville whether he concurs in the suggestion made by the Board of Treasury with regard to the deduction on account of Crown Lands. In such event Lord Granville will instruct Her Majesty's Ambassador at Constantinople to make the communication to the Porte in the sense of your letter of the 31st October last with the modification suggested by the Treasury.

I am, &c.
(Signed) TENTERDEN.

No. 289.

Sir J. Paunefote to the Law Officers of the Crown and Dr. Deane.

Gentlemen, *Foreign Office, December* 22, 1881.

EARL GRANVILLE has had under his further consideration, in communication with the Lords Commissioners of the Treasury, the question dealt with in your Report of the 6th January last (Print A, p. 40), of the right of Her Majesty's Government to retain the surplus revenue of Cyprus, as part of the general revenues of the Ottoman Empire, in satisfaction of the arrears due by the Porte in respect of the Turkish Loan of 1855, the interest on which is guaranteed by Great Britain and France under the Convention of 1855.

On receipt of your Report of the 6th January, it was decided to call upon the Porte to give to Her Majesty's Government the benefit of the special securities, namely, the Customs of Smyrna and Syria, which are specially charged with the payment of the interest on the loan and the sinking fund under the Convention, and Mr. Goschen, then Her Majesty's Special Ambassador at Constantinople, was instructed accordingly in the Foreign Office despatch No. 148 of the 3rd March, 1881) Print A, p. 66).

The French Government were invited at the same time to send similar instructions to their Representative at Constantinople, and you will perceive from their reply, transmitted in Lord Lyons' despatch No. 300 of the 1st April, 1881 (Print A, p. 77), that while agreeing to send such instructions they expressed the opinion that it would be preferable to recommend to the Porte to assign the surplus revenue of Cyprus permanently to the payments in question.

Mr. Goschen carried out Lord Granville's instructions in a note to the Porte dated the 30th April, a copy of which was transmitted in his despatch No. 338 of the 2nd May (Print A, p. 86).

Shortly afterwards, Mr. Goschen, in his despatch No. 374 of the 10th May (Print A, p. 86), transmitted a note he had received from Assim Pasha (the Turkish Minister for Foreign Affairs) dated the 7th May. This note was not in reply to Mr. Goschen's note of the 30th April, but in reply to a previous communication, and it stated that, under a Convention made (22nd November, 1879) through the "Administration of the Six Indirect Contributions," between the Porte and the Imperial Ottoman Bank and certain Bankers at Galata, the Ottoman Government had pledged the Cyprus revenues for the payment of interest on the general Public Debt, and, therefore, that they could only apply to the Loan of 1855 such portion of those revenues as had accrued due before the date of that Convention.

The text of that Convention, and of the Decree confirming it, will be found in Sir H. Layard's despatches No. 1035 of the 25th November, and No. 1056 of the 1st December, 1879 (Print C, pp. 98 and 100).

The Earl of Dufferin, who in the meanwhile had succeeded Mr. Goschen, was thereupon instructed in the Foreign Office despatch No. 485 of the 14th July (Print A, p. 109), to call the attention of the Porte to the communication addressed to it by Sir H. Layard in January 1880 [see Foreign Office despatch No. 1514 of the 23rd December, 1879, Print C, p. 109, and Sir H. Layard's No. 79 of the 17th January, 1880, MS.], in which it was stated that Her Majesty's Government declined to recognize

the assignment of the Cyprus revenues to the Banks under the Convention of the 22nd November, 1879, and further that "Her Majesty's Government could not accept or recognize the transfer to any other person of the Sultan's right to receive this payment, nor could they admit any liability, immediate or contingent, to pay it to any person except the Sultan."

Lord Dufferin was instructed in the same despatch to inform the Porte that Her Majesty's Government had decided, in order to maintain the prior claim of the guaranteeing Governments, to instruct the High Commissioner of Cyprus to suspend any further payments on account of the surplus revenue.

The instructions sent to Lord Dufferin in that despatch were submitted to you, and in your Report of the 30th June last (Print A, p. 106), you expressed your concurrence therein.

Copies of two notes addressed by Lord Dufferin to the Porte in accordance therewith will be found in his despatch No. 671 of the 9th August (MS.).

About the same time Lord Dufferin, in his despatch No. 496 of the 13th June (MS.), transmitted a copy of a letter from certain British creditors of the Porte claiming the right to attach the surplus revenue of Cyprus in the hands of Her Majesty's Government. This despatch was referred to you in the Foreign Office letter of the 13th July last, and with your concurrence [see your Report thereon of the 1st August, Print B, Section No. 31], Lord Dufferin was instructed in the Foreign Office despatch No. 562 of the 9th August [Print B, Section No. 31] to inform the British creditors that "Her Majesty's Government claimed to be entitled to retain such surplus revenue in satisfaction of debts due to them by the Porte, and that they could not admit the right of any other creditors of the Porte to attach that surplus in their hands, or the right of the Turkish Government to dispose of the same until its pecuniary obligations towards Great Britain had been liquidated."

On the 5th September the French Ambassador in London, in a verbal communication to the Foreign Office, stated incidentally that in the opinion of his Government the surplus revenue of Cyprus ought to be attached in satisfaction of the arrears of the 1855 Loan; and on the 7th September Lord Dufferin (telegram No. 360) telegraphed that the French Chargé d'Affaires at Constantinople, in referring to the Guaranteed Loan, appeared to assume that the Cyprus surplus was a security upon which France had as much right to count as England.

In the meanwhile, Lord Dufferin, in his despatch No. 630 of the 30th July (MS.), had transmitted the long-deferred reply to Mr. Goschen's note to Assim Pasha of the 30th April (Print A, p. 86), calling upon the Porte to give to the Governments of Great Britain and France the benefit of the special securities, namely, the Customs of Smyrna and Syria, to which they were entitled under the Convention of 1855. This reply, which is dated the 28th July last, was laid before the Lords Commissioners of the Treasury. (Foreign Office to Treasury, 16th August.)

Their Lordships have now caused the inclosed draft of a letter to the Foreign Office (marked D) to be prepared, and have submitted it privately to Lord Granville for his concurrence in the course of action therein recommended.

Lord Granville feels some hesitation in expressing his concurrence in that part of the draft (pp. 8-11) which deals with the proposed communication to the French Government.

In view of your Report of the 6th January, his Lordship apprehends that it may be open to question whether Her Majesty's Government are entitled to treat the enforcement, on the surplus revenue of Cyprus, of the charge created by the Convention of 1855, as a remedy so entirely within their control that they can resort to it and abandon it at their discretion, without reference to the claims of France under the Convention.

The British claims which Her Majesty's Government are desirous, if possible, to satisfy out of the surplus revenue of Cyprus, are the following:—

(*a.*) The claim in respect of Colonel Synge's ransom (10,000*l.*).

(*b.*) The claim in respect of Mr. Suter's ransom (15,000*l.*).*

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* The actual sums are—

		£	s.	d.
(*a.*)	.. ..	11,171	14	0
(*b.*)	.. ..	13,869	1	11
		25,040	15	11

F. L. B.

(*c.*) The claim in respect of the Loan of 1855.

[The amount of this claim, up to the 6th April last, for interest and expenses, but exclusive of Sinking Fund, which is in arrear since 1875, is 142,754*l.* 13*s.* 8*d.* (Print A, p. 81).]

The first claim (Colonel Synge's ransom) is admitted by the Porte.

The second claim (Mr. Suter's ransom) is not admitted by the Porte. (See Law Officers' Report on the case.)

As regards the third claim, the guarantee of Great Britain and France under the Convention of 1855 is *joint and several*, according to the French text, though the words "conjointement et solidairement" are translated in the English version by the word "conjointly" alone.

By the Declaration of the same date between the British and French Governments relative to the loan (in which the same discrepancy is observable) it is agreed that the sums to be advanced by the British and French Governments "shall be proportionally repaid to them out of any funds which may be remitted by the Turkish Government to the British Government."

The following questions arise:—

1. Have the French Government the right to demand payment to them by Her Majesty's Government, subject to the equal rights of Great Britain, of the surplus revenue of Cyprus, by way of enforcement, for their benefit, of the charge created in favour of Great Britain and France on the whole revenues of the Ottoman Empire by the Convention of 1855; and have they such right, whether or not Her Majesty's Government also resort to the same remedy for their own benefit?

2. If the preceding question be answered in the affirmative, is the claim of the French Government confined to the surplus revenue of Cyprus received by or payable to Her Majesty's Government, after the formal notification of their demand?

3. So far as the claim of the French Government does not attach to any portion of the surplus, are Her Majesty's Government entitled to apply that portion *pro tanto* in satisfaction of Colonel Synge's ransom and Mr. Suter's ransom, or either of them, or in discharge of the British share of liability under the Convention of 1855?

As regards the ransoms, and with reference especially to the concluding paragraph of your Report of the 6th January last, I am to draw your attention to Sir H. Layard's protest on behalf of Her Majesty's Government against the assignment by the Porte of the Cyprus surplus to the Bankers, under the Convention of the 22nd November, 1879; and I am to add that before that Convention was signed, the Imperial Ottoman Bank was privately informed that Her Majesty's Government claimed a prior lien on the Cyprus surplus in respect of their guarantee, and would recognize no new mortgage on that surplus. [Print C, No. 111, p. 93; No. 115, p. 96; No. 116, pp. 96-97.]

I am to request that you will favour Lord Granville with your opinion on the points above stated, and with any observations which you may have to offer generally on the questions under consideration.

All the documents referred to in this letter are comprised in the list of papers transmitted herewith."

I have, &c.
JULIAN PAUNCEFOTE.

List of Papers.

1. Print A (Correspondence respecting Finances of Turkey, Part I).
2. Print B [Section 31].
3. Print C (Further Correspondence. Ottoman Loans, Part III).
4. Sir H. Layard, No. 79 of January 1880 (MS.).
5. Lord Dufferin, No. 671 of 9th August, 1881 (MS.).
6. Lord Dufferin, Telegram No. 360 (MS.).
7. Lord Dufferin, No. 630 of 30th July, 1881 (MS.).
8. Foreign Office to Treasury, 16th August, 1881.
9. Treasury Draft, marked D.
10. Law Officers' Report on Mr. Suter's case.
11. Convention of 1855.
12. Declaration between British and French Governments.
13. Conventions between Great Britain and the Porte relating to Cyprus.

No. 290.

Lord Ampthill to Earl Granville.—(Received December 26.)

(No. 477. Extender.)
My Lord, *Berlin, December 19, 1881.*

SINCE writing my despatch No. 468 of the 14th instant, respecting Ali Nizami Pasha's mission to Berlin to invest the German Emperor with the insignia of the Order of Nichani Imtiaz, I have been told on good authority that he is trying to negotiate a loan and to induce German capitalists to invest in Turkish securities, but hitherto with very little success.

I have, &c.
(Signed) AMPTHILL.

No. 291.

The Earl of Dufferin to Earl Granville.—(Received December 26.)

(No. 1125.)
My Lord, *Constantinople, December 20, 1881.*

I HAVE the honour to transmit herewith a copy of the arrangement arrived at between the Ottoman Government and the delegates of the foreign bondholders, and which is now awaiting the Imperial sanction.

I have, &c.
(Signed) DUFFERIN.

Inclosure in No. 291.

Supplement to the "Levant Herald," No. 464.

Arrangement de la Dette Nationale intervenu entre la Sublime Porte et les Délégués Etrangers de Fonds Ottomans.

Décret.

VOICI la traduction complète du Décret soumis à l'approbation des Ministres et qui doit sanctionner l'arrangement intervenu entre les Commissaires Ottomans et les délégués des détenteurs étrangers de fonds Ottomans:—

"Le Gouvernement Impérial Ottoman, à la suite des déclarations faites par son Représentant au Congrès de Berlin, dans la séance du 11 Juillet, 1878, et conformément à l'engagement qu'il a pris par la note du 3 Octobre, 1880, a invité, par une note subséquente du 23 Octobre de la même année, les porteurs de titres de la Dette Publique Ottomane à choisir un certain nombre de délégués, qui devraient se rendre au plus tôt à Constantinople, à l'effet de s'entendre directement avec le Gouvernement Impérial sur un arrangement équitable et pratique de la dette publique Ottomane, ainsi que sur le moyen de reprendre le service des intérêts et de l'amortissement de cette dette.

"Les porteurs de la dite dette ont répondu à cette invitation, en nommant comme représentants:—

"Les porteurs Anglais et Néerlandais, the Right Honourable Robert Bourke;

"Les porteurs Français, M. Vulfroy, Ancien Sous-Directeur Politique au Ministère des Affaires Etrangères de France;

"Les porteurs Austro-Hongrois, son Excellence le Baron de Mayr, Ancien Envoyé Extraordinaire et Ministre Plénipotentiaire d'Autriche-Hongrie à Washington;

"Les porteurs Allemands, M. Prinker, Conseiller de Justice;

"Les porteurs Italiens, M. Mancardi, Ancien Député, Ancien Directeur-Général de la Dette Publique d'Italie.

"Les dits délégués des porteurs se sont présentés, au mois d'Août et Septembre de l'année courante, à la Sublime Porte.

"Le Gouvernement Impérial a, de son côté, institué une Commission Spéciale, chargée de traiter avec les délégués et composée de:—

"Son Excellence Server Pacha, Président du Conseil d'État, Président de la Commission,

"Son Excellence Munir Bey, Ministre des Finances;

"Son Excellence Ohannès Tchamitch, Président de la Cour des Comptes;

"Son Excellence Wettendorff Bey, Sous-Secrétaire d'État au Ministère Impérial des Finances;

"Gescher Effendi, Conseil du Ministère des Affaires Étrangères;

"Et Bertram Effendi, Mustéchar de la Direction Générale des Douanes.

"Les délibérations de la dite Commission commencées le 1er Septembre et continuées pendant les mois de Septembre, d'Octobre, de Novembre, et de Décembre de l'année courante, ayant eu pour résultat une entente complète entre les Commissaires Impériaux et MM. les délégués, entente constatée par les procès-verbaux de la Commission portant la signature des deux parties, le Gouvernement sur la base de cette entente, décrète par les présentes, ce qui suit:—

"Article 1er (A.) Les soldes en capital restant dus sur chacun des emprunts énumérés dans le Tableau ci-joint, augmenté du montant nominal des titres provisoires—dits titres Ramazan—délivrés pour la moitié des obligations sorties au tirage, conformément au Décret du 6 Octobre, 1875 (30 Ramazan, 1292), sont réduits aux taux moyens d'émission indiqués ci-après:—

	Pour cent.
"Emprunt 1858	à 85·
" 1860	67·375
" 1862	68·
" 1863-64	69·62216
" 1865	64·775
" 1869	56·725
" 1872	98·50
" 1873	50·235
Dette Générale	45·84
Lots Turcs	41·065

"(B.) Le capital réduit à ces taux est majoré en principe de 10 pour cent, en représentation des intérêts des dits emprunts et des primes de l'Emprunt des Chemins de Fer de la Turquie d'Europe—lots Turcs—échus et non payés jusqu'à la fin de l'année 1881, ainsi que des titres provisoires, dits Ramazan, émis pour la moitié des intérêts et des primes au Décret du 6 Octobre, 1875.

"(C.) Le montant pour lequel les intérêts et primes arriérés participent à cette majoration de 10 pour cent, non compris les certificats Ramazan pour intérêts et primes dont le Règlement fait l'objet de l'Article 2 ci-après, est ajouté au capital de chaque emprunt réduit, conformément au paragraphe (A), ce qui élève les taux de réduction de chaque emprunt aux taux définitifs arrondis, indiqués ci-dessous:—

	Pour cent.
"Emprunt 1858	à 93·15
" 1860	62·90
" 1862	71·50
" 1863-64	70·30
" 1865	71·
" 1869	62·40
" 1872	107·75
" 1873	55·25
Dette Générale	50·25
Lots Turcs	45·09

"(D.) En conséquence, les obligations des emprunts énumérés plus haut, munies des coupons impayés d'Avril 1876 à Mars 1882, inclusivement, seront réduites à un montant correspondant aux taux indiqués pour chacun des emprunts, au paragraphe (C).

"Les certificats provisoires, dits Ramazan, délivrés pour la moitié des obligations sorties au tirage, conformément au Décret du 6 Octobre, 1875, et mentionnés au paragraphe (A) ci-dessus, seront, à l'exception de ceux des lots Turcs sortis avec primes, convertis aux taux indiqués § (C), en titres des emprunts auxquels ils appartiennent.

"N.B.—La somme de 31,508,000*l.* sterling indiquée au Tableau ci-joint, comme solde en capital de l'Emprunt des Chemins de Fer de la Turquie d'Europe—(lots Turcs)—comprend le capital nominal, soit 400 fr. par obligation, des obligations sorties au tirage avec primes et non payées. La différence entre le montant nominal de ce capital et le montant pour lequel ces obligations sont sorties au tirage, est comprise dans la somme allouée aux intérêts arriérés.

"Art. 2. Le montant pour lequel les certificats provisoires, Ramazan, émis pour la moitié des intérêts et des primes—capital nominal déduit—conformément au Décret du 6 Octobre, 1875, participent à la majoration de 10 pour cent mentionnée au paragraphe B

de l'Article précédent, leur sera réglé par la conversion en obligations des emprunts auxquels ils appartiennent, le montant nominal de ces certificats étant réduit dans la proportion adoptée pour le total des intérêts, et étant calculé sur les chiffres énumérés à la colonne XI du Tableau ci-joint, ce qui donne les taux suivants:—

"Certificats d'intérêts pour les emprunts:—

	Pour cent.
1858	23·26
1860	15·29
1862	18·12
1863-64	18·553
1865	17·26
1872	17·20
Dette Générale	14·78
Lots Turcs	10·18

"Toutefois, les certificats délivrés pour des coupons de l'Emprunt 1872 seront convertis, aux taux indiqués ci-dessus, en obligations de l'un des emprunts du Groupe II, dont il sera parlé plus loin (Article 12).

"Art. 3. Ainsi, le montant réduit de la Dette Ottomane, à la suite du présent arrangement, se composera:—

"(1.) Du montant des obligations de chaque emprunt encore en circulation, réduit aux taux indiqués au paragraphe C de l'Article 1.

"(2.) Du montant des obligations données en échange des certificats provisoires, émis pour la moitié d'obligations. (Paragraphe D de l'Article 1).

"(3.) Du montant des obligations données en échange des certificats provisoires, émis pour moitié d'intérêts ou de primes (Article 2).

"Le Tableau ci-annexé, qui fait partie du présent Iradé, donne tous les chiffres relatifs à la réduction et au réglement de la Dette Ottomane.

"Toutefois, les chiffres indiqués dans ce Tableau, à l'exception des taux mentionnés à l'Article 1er, ne pourront pas préjudicier, en cas d'erreur ou d'omission survenus dans les calculs, à la fixation définitive des chiffres composant la dette, le Conseil d'Administration dont il est parlé ci-après étant chargé, après entente avec le Gouvernement, de rectifier les erreurs qui auraient pu se produire.

"Art. 4. Tous les titres des emprunts énumérés dans le Tableau ci-annexé, ainsi que tous les certificats dits Ramazan, devront être enregistrés.

"L'opération d'enregistrement sera confiée:—

"À Londres, au 'Council of Foreign Bondholders;'

"À Amsterdam, au Conseil de la Bourse, ou à l'établissement indiqué par lui;

"À Paris, Vienne, et Berlin, au Syndicat des établissements financiers qui ont adhéré à la communication du Gouvernement Impérial Ottoman du 23 Octobre, 1880, mentionnée plus haut;

"À Rome, à la Chambre de Commerce de Rome;

"Et à Constantinople, à la Banque Impériale Ottomane.

"Il sera pourvu aux frais de l'opération par une commission de $\frac{1}{8}$ pour cent, calculée sur le capital réduit de la totalité des titres, et certificats enregistrés. La dite commission sera payée par le Conseil d'Administration (Article 15) sur les revenus concédés aux porteurs pour le service de la Dette Publique.

"À la suite de chaque enregistrement de titres, le porteur recevra une quantité de titres correspondant au montant du capital réduit.

"Pour les fractions, on délivrera aux porteurs des certificats provisoires portant un intérêt, qui sera payable au moment de leur conversion en titres définitifs.

"Le Conseil d'Administration aura le droit d'acheter et de vendre des fractions des titres, afin de faciliter l'enregistrement des titres en sommes rondes.

"La portion des titres représentant la différence entre le capital réduit de chaque emprunt et le capital nominal, sera retirée par le Conseil, et restera déposée dans la Caisse du Conseil, sous la surveillance du Gouvernement. Elle sera annulée au fur et à mesure que les titres participeront à l'amortissement.

"Quant aux titres Ramazan donnés en échange de titres sortis aux tirages des différents emprunts, il y est pourvu par l'Article 1er, § (D).

"Les titres sortis aux tirages sous les contrôls originaux pendant la suspension des paiements du Gouvernement Ottoman, seront traités sur le même pied que les titres non sortis, et les numéros seront replacés dans les roues, sauf toutefois les lots Turcs dont la situation fait l'objet d'un Règlement spécial (Article 13).

"Les titres Ramazan donnés en échange de coupons échus seront convertis en titres des emprunts auxquels ils appartiennent aux taux correspondant à la réduction établie dans l'Article 3, colonne 13 du Tableau ci-annexé.

"Les coupons arriérés devront être remis, et ceux qui ne seraient pas présentés devront être remplacés, selon les Règlements qui seront publiés par le Conseil d'Administration, ou subir pour chaque coupon manquant une diminution proportionnelle sur les chiffres fixés Article 1er, § (C), colonne 14 du dit Tableau.

"Il sera pourvu, au moyen des titres retirés de chaque emprunt, à l'échange des titres Ramazan.

"Tout nouveau tirage, en application des contrats originaux, est suspendu.

"Par exception, les titres de l'Emprunt de 1872 (Bons du Trésor) seront simplement estampillés aux faux déterminés dans l'Article 1er, § (C), colonne 19 du Tableau ci-annexé. Les titres Ramazan de cet emprunt, Article 2, donnés en échange de coupons arriérés, seront convertis en titres du Groupe II (Article 12), aux taux correspondant à la réduction établie à l'Article 11 (colonne 12 du Tableau annexé).

"Art. 5. L'enregistrement des titres aura lieu jusqu'au $\frac{1}{13}$ Février, 1885.

"Passé ce délai, les coupons échus seront périmés, et les provisions qui auront été faites en leur faveur jusqu'à cette date, rentreront dans les fonds disponibles pour l'intérêt et l'amortissement semestriels, dès le $\frac{1}{13}$ Mars, 1885.

"Après le $\frac{1}{13}$ Février, 1885, l'enregistrement des titres n'aura lieu qu'en application des Règlements établis par le Conseil d'Administration, conformément aux principes susénoncés, et tous les coupons payables avant la date d'enregistrement seront prescrits.

"Tous les titres Ramazan qui n'auront pas été enregistrés dans le délai de six ans, à partir de ce jour, seront prescrits.

"Seront également prescrits tous les coupons qui n'auront pas été encaissés dans le même délai de six ans, à partir du terme de leur échéance.

"Tous les titres amortis qui n'auront pas été encaissés pendant une durée de trente ans, seront frappés de prescription et leurs inscriptions seront annulées. L'intérêt sur les titres sortis aux tirages cessera de courir pour les porteurs. Les titres amortis et remboursés seront annulés par les soins du Conseil d'Administration.

"Ces dispositions seront applicables aux titres et coupons amortis des obligations privilégiées, prévues ci-après à l'Article 10.

"Art. 6. Le Conseil d'Administration dressera et portera à la connaissance des intéressés tous les Règlements concernant la liquidation. Ces Règlements seront obligatoires pour les porteurs.

"Art. 7. Le Conseil d'Administration aura le droit, d'accord avec le Gouvernement Impérial Ottoman, de procéder à la conversion de la totalité ou d'une partie de la dette fixée à l'Article 3.

"Cependant, cette opération est subordonnée:

"En Angleterre, au consentement d'une majorité représentant les trois quarts de la valeur de chaque emprunt à convertir, ou, à son défaut, au consentement de la majorité simple des dits porteurs, avec la sanction du 'Council of Foreign Bondholders.'

"En France, en Allemagne, et en Autriche-Hongrie, au consentement des Syndicats des établissements financiers qui ont adhéré à la communication du Gouvernement Impérial du 23 Octobre, 1880, et, s'il y a lieu, à la sanction de la majorité des porteurs donnée en assemblée publique.

"Art. 8. Pour le service de la dette déterminée par l'Article 3 le Gouvernement cède, par les présentes, d'une manière absolue et irrévocable, à partir du $\frac{1}{13}$ Janvier, 1882, et jusqu'à l'extinction complète de la dite dette:

"1. Les revenus des monopoles et Contributions Indirectes faisant l'objet de la Convention du $\frac{13}{25}$ Novembre, 1879, qui est résiliée à partir du $\frac{1}{13}$ Janvier, 1882, en vertu de la Convention du annexée au présent Décret, soit:

"(*a.*) Des monopoles du tabac et du sel, produits ou consommés dans les vilayets de l'Empire, énumérés dans la liste annexe à la Convention du $\frac{13}{25}$ Novembre, 1879, et jointe à ce Décret, Annexe II, non compris les cigares, les tabacs à priser, les tabacs à chiquer, et le tombeki importé, et sauf la dîme et les droits de Douanes du tabac.

"(*b.*) De l'impôt du timbre ('vurakâi-sahiha'), de l'impôt mirihié et rouhsatié des spiritueux des vilayets de l'Empire, énumérés à la dite liste, sauf les droits de Douane perçus sur les spiritueux;

"De l'impôt de pêche de Constantinople et de sa banlieue, suivant détail figurant dans la liste y relative;

"Et de la dîme des soies de la banlieue de Constantinople, ainsi que d'Andrinople, de Brousse, et de Samsoun, suivant détail consigné dans la liste y relative.

"2. La dîme des soies:

"De Tokat, dépendance de la Direction de Samsoun;

"De Cavalla, Yénidjé, Eskidjé, et Dédéaghatch, dépendances de la Direction d'Andrinople;

"De Sarouhan, dépendance de la Direction de Sarouhan;
"De Yénikeuy de Chile, dépendance de la Direction de Constantinople;
"De Cartal, Guébjé, et Daridja, dépendances de la Direction d'Ismidt.
"Ainsi que l'impôt de pêche:
"De Banados, dépendance de la Direction de Rodosto;
"De Gallipoli, dépendance de la Direction de Gallipoli;
"De Yalova, dépendance de la Direction de Karamoussal;
"De Seyki, Moudania, Guemlek, Courchoumjou, Armoudiou, Capou Dagh, Marmara, Pacha-Liman, Erdek, Panderma, et Lac Manias, dépendance de la Direction de Brousse.

"3. L'excédant des recettes des Douanes, résultant de la modification du taux des taxes, en cas de révision des Traités de Commerce.

"4. L'excédant de revenus qui devra résulter de l'application générale de la Loi sur les Patentes, comparativement aux recettes actuelles de l'impôt de temettu.

"Quant au moyen d'assurer aux porteurs de la dette les revenus mentionnés aux paragraphes 3 et 4, il fera l'objet de dispositions spéciales.

"5. Le tribut de la principauté de Bulgarie.

"Tant que ce tribut n'aura pas été fixé par les Représentants des Puissances Signataires du Traité de Berlin, le Gouvernement le remplacera, à partir du $\frac{1}{13}$ Janvier, 1882, par une somme annuelle de L. T. 100,000 à prélever sur la dîme des tabacs.

"Une fois le dit tribut fixé, si la Sublime Porte croyait devoir l'affecter en totalité ou en partie, à une autre destination, la somme dont elle aurait ainsi disposé sera remplacée par une somme égale à prélever sur la dîme des tabacs, et au cas où celle-ci n'y suffirait pas sur un autre revenu tout aussi sûr.

"6. L'excédant des revenus de l'Ile de Chypre.

"Dans le cas où l'excédant des revenus de l'Ile de Chypre ne serait pas à la disposition du Gouvernement Impérial, il sera remplacé, à partir du $\frac{1}{13}$ Janvier, 1882, par une somme annuelle de £ T. 130,000.

"Le Conseil d'Administration (Article 15) aura le droit d'appliquer l'excédant de la dîme des tabacs, après prélèvement des £ T. 100,000 destinées à remplacer le tribut de la principauté de Bulgarie, au paiement des dites £ T. 130,000 destinées à remplacer l'excédant de l'Ile de Chypre; pour le montant resté non couvert sur cette somme, le Ministère des Finances remettra au Conseil, chaque semestre, des traites sur la Direction Générale des Douanes.

"7. La redevance de la Roumélie Orientale, fixée actuellement à £ T. 240,000 plus les arriérés à partir du $\frac{1}{13}$ Mars, 1880, les augmentations ultérieures dont cette redevance est susceptible, aux termes de l'Article 5 du Statut Organique, et la somme de £ T. 5,000 représentant le produit net annuel des Douanes de la dite province. Le Conseil d'Administration (Article 15) recevra des dites sommes par les soins de la Banque Impériale Ottomane, dans les Caisses de laquelle elles doivent être déposées.

"En cas de retard dans les versements aux échéances arrêtées, le Gouvernement Impérial fera toute diligence pour rétablir l'exécution des engagements de la dite province.

"8. Le produit des droits sur le tombéki, jusqu'à concurrence de £ T. 50,000.

"Pour assurer au Conseil d'Administration la perception de cette somme, le Ministère des Finances donnera, chaque semestre, au Conseil, des traites sur la Direction Générale des Douanes.

"9. Toutes les sommes revenant au Gouvernement Impérial, comme parts contributives de la Serbie, du Monténégro, de la Bulgarie, et de la Grèce, sur la dette mentionnée à l'Article 3, d'après les dispositions du Traité de Berlin et de l'Article X de la Convention de Constantinople du 24 Mai, 1881.

"Art. 9. Les revenus énoncés aux paragraphes 1, 2, et 8, ainsi que la dîme des tabacs, mentionnée aux paragraphes 5 et 6 de l'Article précédent, seront exploités conformément aux Lois et Règlements actuellement existants, et les revenus mentionnés dans les sections 3 et 4 (excédant des Douanes et Patentes) suivant les dispositions à édicter à cet égard.

"Toutefois, le Conseil d'Administration aura la faculté de décider toutes les modifications et améliorations qui pourront être introduites dans le système actuel des monopoles ou contributions, énoncés, Nos. 1 et 2; ou de la dîme des tabacs, mentionnée Nos. 5 et 6 de l'Article précédent, dans le cas où la dite dîme serait affectée au service de la dette, suivant les dispositions y relatives du même Article, sans sortir des limites des Lois et Règlements existants, et sans imposer de charges nouvelles aux sujets Ottomans.

"Pour toutes autres modifications ou améliorations à introduire dans le système ou dans les taxes des dits monopoles ou contributions, ou des autres revenus concédés aux porteurs, excepté les revenus énoncés §§ 3, 4, et 8 de l'Article précédent (excedant de Douanes, Patentes et Tombeki), il devra intervenir un accord préalable entre le Gouverne-

ment Impérial et le Conseil. De même les tarifs et Règlements relatifs aux revenus concédés, à l'exception toutefois des revenus énoncés §§ 3, 4, et 8 de l'Article précédent, ne pourront être modifiés que de commun accord entre le Gouvernement et le Conseil.

"Le Gouvernement s'engage à faire connaître au Conseil, dans le délai de six mois, au plus tard, son acceptation ou refus des propositions qui lui auront été soumises à ce sujet par le Conseil.

"Le Gouvernement promulguera à bref délai sa décision sur les propositions dont il a été saisi par le Conseil actuel des Six Contributions Indirectes au sujet du timbre.

"Quant aux monopoles du tabac et du sel, le Gouvernement ne s'opposera pas en principe, à ce qu'il soit pris des arrangements pour exploiter les tabacs et le sel par voie de Régie, sauf, quant aux détails à promulguer dans ce but, l'accord préalable mentionné plus haut.

"Pour ce qui est du tabac, les bénéfices pouvant résulter de son exploitation, par voie de Régie, seront répartis entre le Gouvernement, les porteurs, et la Société d'Exploitation, dans des conditions à déterminer entre les intéressés.

"Si le Gouvernement voulait abolir les dîmes, le droit sur la pêche, ou le droit sur les spiritueux, concédés aux porteurs, il en aurait la faculté à condition de remplacer les droits à abolir par un autre revenu équivalent, et avec l'adhésion de la majorité absolue des membres du Conseil. L'augmentation éventuelle des revenus à abolir sera prise en considération dans la fixation de l'équivalent.

"Il est bien entendu que la perception et l'administration des revenus équivalents doivent être confiés au Conseil, comme il est dit plus bas.

"Art. 10. Le produit net des revenus indiqués à l'Article 8 sera consacré intégralement le $\frac{1}{15}$ September, et le $\frac{1}{15}$ Mars, de chaque année, à partir du $\frac{1}{15}$ Janvier, 1882, au paiement des intérêts et de l'amortissement de la dette.

"Toutefois, on prélèvera chaque année, par privilège, sur la portion de ce produit, provenant des Six Contributions Indirectes, une somme de £ T. 590,000 pour assurer, jusqu'à leur extinction complète, le service des obligations privilégiées 5 pour cent, créées en représentation d'un montant maximum de £ T. 8,170,000, en exécution de la Convention ci-annexée du . . . . intervenue entre le Gouvernement Impérial et les Signataires de la Convention du $\frac{10}{22}$ Novembre, 1879.

"Le premier paiement se fera le $\frac{1}{15}$ Septembre, 1882, de sorte que la somme à répartir à cette date représentera huit mois d'exercice.

"Les intérêts et l'amortissement seront calculés sur la totalité des titres enregistrés.

"L'application des sommes revenant aux lots Turcs fonctionnera conformément aux dispositions de l'Article 13.

"Les coupons échus et les titres sortis au tirage seront payables, à l'étranger et à Constantinople, dans les Caisses des établissements qui avaient été chargés de ce service à l'origine. Le Conseil d'Administration prendra toutes les dispositions nécessaires pour assurer à l'étranger la remise des revenus encaissés en vue du paiement des coupons et des titres amortis. Les envois y relatifs se feront par les soins de la Banque Impériale Ottomane qui reste chargée du service de la Dette Ottomane. Le Conseil s'entendra avec les dits établissements sur le montant de la commission qui leur sera allouée.

"Le service des obligations privilégiées sera fait par la Banque Impériale Ottomane, qui prélèvera une commission de $\frac{1}{8}$ pour cent sur le montant des coupons et des titres amortis.

"Les risques de change résultant de la nécessité de remettre à l'étranger les fonds nécessaires pour le dit service, seront à la charge du Conseil d'Administration, sauf les accords à intervenir ultérieurement entre le Conseil et la Banque.

"Le Conseil fera tirer de nouvelles feuilles de coupons en cas de nécessité.

"Il aura le droit de placer provisoirement à intérêt les produits encaissés jusqu'à ce qu'ils soient exigibles pour les échéances de l'intérêt et de l'amortissement.

"Il déterminera dans les délais voulus, conformément aux principes établis ci-dessus, les taux d'intérêt et d'amortissement payables chaque semestre, de façon à ce que les échéances du $\frac{1}{15}$ Septembre et du $\frac{1}{15}$ Mars soient toujours ponctuellement satisfaites.

"Il aura le droit de réserver sur les sommes disponibles pour le service de l'intérêt les fractions nécessaires pour égaliser le montant de l'intérêt dans les semestres suivants.

"Art. 11. Il sera attribué chaque année au service de l'intérêt quatre cinquièmes du produit net des revenus concédés aux porteurs, non compris les parts contributives de la Serbie, du Monténégro, de la Bulgarie, et de la Grèce, et déduction faite des sommes représentant intérêt sur des titres amortis.

"Mais, sur le produit net des dits revenus, on prélèvera d'abord la somme nécessaire pour acquitter un pour cent d'intérêt, calculé sur le capital réduit (colonne 21 du Tableau), conformément à l'Article 10.

"L'intérêt ne pourra jamais dépasser 4 pour cent du dit capital. Si la somme disponible pour le service des intérêts, divisée par le montant représentant un $\frac{1}{4}$ pour cent du dit capital réduit de la dette, vient à laisser une fraction, cette fraction sera réservée au service des intérêts du semestre suivant.

"L'intérêt sera payé sur les coupons échus de tous les emprunts indistinctement, au prorata des revenus disponibles.

"Art. 12. Il sera attribué chaque année à l'amortissement un cinquième du produit net des revenus concédés aux porteurs, non compris les parts contributives de la Serbie, du Monténégro, de la Bulgarie, et de la Grèce, mais accru du montant représentant intérêt sur les titres amortis, ainsi qu'il a été dit à l'Article précédent.

"Toutefois, si le produit net des dits revenus ne dépasse pas 1 pour cent calculé sur le capital réduit (colonne 21 du Tableau ci-joint), conformément à l'Article 10, la différence nécessaire sera prélevée sur le cinquième applicable à l'amortissement.

"L'amortissement à servir sur le produit des revenus susmentionnés ne pourra dépasser 1 pour cent du dit capital réduit.

"Si le produit des dits revenus dépasse 4 pour cent du dit capital pour intérêts et 1 pour cent du même capital pour amortissement, soit en tout 5 pour cent, le surplus sera versé au Trésor.

"Si la somme disponible pour l'amortissement laisse une fraction ne permettant pas d'amortir un chiffre rond d'obligations, cette fraction sera réservée pour être appliquée au service de l'amortissement du semestre suivant.

"Pour le service de l'amortissement provenant du cinquième du produit des revenus susmentionnés, augmenté de l'intérêt des titres amortis, les emprunts seront réunis en groupes constitués comme suit :—

"Groupe I. Emprunts de 1858 et 1862.
" II. " 1860, 1863-64, et 1872.
III. " 1865, 1869, et 1873.
" IV. Dette Générale et lots Turcs.

"Après paiement de 1 pour cent du susdit capital réduit pour intérêts, le surplus, jusqu'à concurrence d'un $\frac{1}{4}$ pour cent du dit capital réduit, sera appliqué à l'amortissement du Groupe I; après lui, du Groupe II; après ce dernier, du Groupe III; puis du Groupe IV.

"Si la somme disponible annuellement pour l'amortissement dépasse $\frac{1}{4}$ pour cent du dit capital réduit, le surplus, jusqu'à concurrence de $\frac{1}{2}$ pour cent du dit capital, sera appliqué à l'amortissement du Groupe II, à moins que ce Groupe II ne soit déjà en possession du premier $\frac{1}{4}$ ci-dessus mentionné. Dans ce cas, la somme dépassant $\frac{1}{4}$ pour cent jusqu'à $\frac{1}{2}$ pour cent du capital, passe au Groupe III, à moins que le Groupe III ne soit déjà en possession du premier $\frac{1}{4}$ pour cent. Dans ce cas, la somme dépassant $\frac{1}{4}$ pour cent jusqu'à $\frac{1}{2}$ pour cent passe au Groupe IV.

"Si la somme disponible pour l'amortissement dépasse $\frac{1}{2}$ pour cent du capital réduit, l'excédant, jusqu'à concurrence de $\frac{3}{4}$ pour cent de ce capital, sera appliqué à l'amortissement du Groupe III, à moins que ce Groupe III ne soit déjà en possession d'une cote d'amortissement de $\frac{1}{4}$ pour cent; dans ce cas ce troisième $\frac{1}{4}$ passe au Groupe IV à moins que ce Groupe IV ne soit déjà en possession de $\frac{1}{4}$; auquel cas, la somme dépassant $\frac{1}{2}$ pour cent jusqu'à $\frac{3}{4}$ pour cent du dit capital, sera partagée, par portions égales, entre les Groupes III et IV.

"Si la somme disponible pour l'amortissement dépasse $\frac{3}{4}$ pour cent du dit capital, le surplus va au Groupe IV, a moins que ce Groupe IV ne soit déjà en possession de la cote d'amortissement de $\frac{1}{4}$ pour cent; auquel cas la somme dépassant $\frac{3}{4}$ pour cent est partagée par portions égales entre les groupes qui restent à éteindre.

"Après l'extinction des trois premiers groupes, la somme disponible pour l'amortissement fonctionnera au profit du quatrième.

"En sus du dit cinquième du produit et des revenus susmentionnés, seront appliquées au service de l'amortissement : les sommes pour lesquelles la Serbie, le Monténégro, la Bulgarie, et la Grèce contribueront au service de la dette, énoncée Article 3.

"Ces sommes, soit en capital, soit en intérêt, seront appliquées à l'amortissement de tous les emprunts, au prorata de leur montant résultant de l'enregistrement des titres et si la conversion de la dette s'accomplit ultérieurement, elles seront appliquées au rachat d'une partie de la dette convertie, tous les titres étant traités sur le même pied.

"Toute somme représentant intérêt sur des titres amortis, augmentera l'amortissement.

L'amortissement se fera toujours par achat au tirage, chaque semestre, d'après la décision du Conseil d'Administration.

"Les remboursements des titres sortis au tirage auront lieu à partir de l'échéance du semestre à commencer du $\frac{1}{13}$ Septembre, 1882.

"L'amortissement des titres, qu'il soit opéré par achats ou par tirages, aura lieu à des taux qui ne dépasseront pas les chiffres suivants :—

"(*a.*) 66, 66 pour cent du capital, quand l'intérêt servi sera de 1 pour cent ;

"(*b.*) 75 pour cent du capital, quand l'intérêt, supérieur à 1 pour cent, sera inférieur à 3 pour cent ;

"(*c.*) 100 pour cent du capital, quand l'intérêt servi s'élèvera à 3 pour cent, ou plus.

"Art. 13. Toutes sommes revenant à l'emprunt à primes des Chemins de Fer de la Turquie d'Europe (lots Turcs) dans les revenus et autres ressources concédés aux porteurs, tant en intérêt qu'en amortissement, seront employées comme il suit :—

"(*a.*) En premier lieu, afin d'assurer aux détenteurs des lots Turcs sortis au tirage jusqu'à la fin de l'année 1881, mais non payés, une indemnité partielle, on prélèvera sur les dites sommes un montant de 25 pour cent.

"Ces 25 pour cent seront employés à rembourser les lots Turcs sortis au tirage, au prorata de leur montant, jusqu'à ce qu'ils aient reçu 20 pour cent du montant établi au tirage.

"Les paiements partiels se feront contre production des lots respectifs, sur lesquels le paiement partiel sera marqué au moyen d'une estampille.

"Au dernier paiement effectué pour compléter les 20 pour cent, les titres seront retirés.

"(*b.*) Les tirages des titres non sortis et le paiement des primes seront continués en stricte conformité avec le plan primitif adopté pour cet emprunt, autant que les sommes qui lui reviendront le permettront.

"Les titres sortis au tirage seront payés dans le délai d'un mois.

"(*c.*) Le paiement des intérêts de cet emprunt est suspendu et ne sera repris que lors et tant qu'il restera un surplus sur la somme necessaire pour faire face au service intégral des primes.

"Les intérêts, dans ce cas, seront payables avec les titres sortis au tirage.

"Le dit surplus sera employé à rembourser les coupons sur les titres non sortis et s'il y a quelque excédant, il sera consacré à augmenter le nombre des titres appelés à sortir avec les primes les moins élevées.

"(*d.*) L'arrangement avec les porteurs devant entrer en vigueur à partir du $\frac{1}{13}$ Janvier, année 1882, commencera à fonctionner en ce qui concerne les tirages, conformément au paragraphe (*b*) pendant la dite année.

"(*e.*) Le Conseil d'Administration fixera, en conformité du susdit principe, les époques auxquelles les lots sortis pendant une année seront payés, ainsi que le montant qui leur sera alloué.

"(*f.*) Les dispositions générales du present Décret auront également force pour cet emprunt, en tant qu'elles ne sont pas modifiées par les paragraphes ci-dessus.

"Art. 14. Les reliquats provenant des deux exercices pendant lesquels a été appliquée la Convention du $\frac{19}{23}$ Novembre, 1879, soit jusqu'au $\frac{1}{13}$ Janvier, 1882, seront affectés au remboursement des dépenses faites dans l'intérêt des porteurs, depuis l'Iradé Impérial du mois d'Octobre 1875, par les Comités et par les délégués qui ont participé au présent arrangement.

"Le Conseil d'Administration décidera si les dépenses dont la restitution sera demandée doivent être reconnues comme nécessaires ou utiles au point de vue de l'interêt des porteurs.

"Les sommes restées disponibles sur les dits reliquats seront utilisées par le Conseil d'Administration, pour égaliser le service de l'intérêt et de l'amortissement pendant les quatre premiers semestres et pour faire face à des dépenses extraordinaires.

"Art. 15. Pour représenter les porteurs et pour pourvoir à leurs intérêts, il est établi un Conseil d'Administration.

"Le siège de ce Conseil est fixé à Constantinople.

"Le dit Conseil sera composé comme il est dit ci-après :—

"Un membre représentant les porteurs Anglais, qui représente aussi les porteurs Néerlandais et qui est nommé par le 'Council of Foreign Bondholders' à Londres, à son défaut, par le Gouverneur de la Banque d'Angleterre, ou à son défaut par une résolution adoptée en assemblée publique (meeting) des porteurs Anglais et Néerlandais, à Londres ;

"Un membre représentant les porteurs Français ;

"Un membre représentant les porteurs Allemands ;

"Un membre représentant les porteurs Austro-Hongrois ;

"Qui sont nommés par les Syndicats des établissements financiers de Paris, Berlin, et Vienne, ayant adhéré à la communication du Gouvernement Impérial Ottoman du 23 Octobre, 1880, et s'il y a lieu, leur choix sera approuvé par une assemblée générale des porteurs Français, Allemands, et Austro-Hongrois, dans chacune des trois capitales ci-dessus désignées ;

"Un membre représentant les porteurs Italiens ;

"Qui est nommé par la Chambre du Commerce de Rome, constituée en Syndicat des Chambres de Commerce du royaume, et, s'il y a lieu, son choix sera approuvé par une assemblée générale des porteurs Italiens, à Rome ;

"Un membre représentant les porteurs Ottomans ;

"Qui est nommé par une assemblée générale de ces derniers, réunis à Constantinople, sur la convocation du Préfet de la ville ;

"Un membre représentant les porteurs des obligations prévues dans la Convention ci-annexée du . . . . qui sera nommé par la Banque Impériale Ottomane, ou, à son défaut, par une Résolution adoptée en assemblée publique des dits porteurs à Constantinople.

"Ce dernier membre siègera dans le Conseil seulement jusqu'à l'extinction complète des dites obligations.

"Il sera pourvu, suivant les mêmes formalités, aux vacances qui se produiraient au sein du Conseil.

"Les nominations des membres représentant les porteurs Anglais, Néerlandais, Français, Allemands, Austro-Hongrois, et Italiens, seront notifiées aux Représentants de la Sublime Porte à Londres, Paris, Berlin, Vienne, et Rome. La nomination du membre Ottoman, ainsi que celle du membre représentant les porteurs des obligations prévues dans la Convention ci-jointe, seront notifiées au Ministère des Finances de l'Empire Ottoman.

"Tout employé au service du Gouvernement Impérial Ottoman, sujet étranger ou Ottoman, qui serait nommé membre du Conseil, sera tenu de se démettre de ses fonctions publiques pour toute la durée de son mandat.

"Si les autorités à qui appartient en Angleterre, en Allemagne, en Autriche-Hongrie, en France, et en Italie, la nomination du Conseil, y appellent un membre remplissant en ce moment une Mission diplomatique, Consulaire ou militaire dans l'Empire Ottoman, ce membre devra également se démettre de ses fonctions. Il sera traité, au point de vue des appointements, sur le même pied que les membres du Conseil venant de l'étranger.

"Les membres du Conseil seront nommes pour cinq ans, et ils siègeront jusqu'à l'installation du nouveau Conseil.

"Ils pourront être réélus à l'expiration de leur mandat.

"Si un membre du Conseil venait à manquer à ses devoirs, sa révocation sera prononcée par les autorités de qui il tient son mandat, mais suivant le cas, sur la proposition du Conseil.

"Les traitements des membres du Conseil sont fixés ainsi qu'il suit :—

"2,000*l.* sterling à chacun des représentants des porteurs étrangers, venant de l'étranger;

"1,200*l.* sterling à chacun des représentants des porteurs étrangers ou des porteurs Ottomans, qui serait choisi parmi les résidents de l'Empire Ottoman ;

"1,200*l.* sterling au Commissaire Impérial Ottoman (Article 18).

"Il n'est pas alloué de traitement au membre représentant les porteurs des obligations prévues dans la convention du . . . . ci-annexée ; mais il lui est attribué une somme annuelle fixe de 500*l.* sterling, à titre de jetons de présence.

"Ces appointements commenceront à courir à partir de la date d'arrivée de chaque membre du Conseil à Constantinople.

"Les assemblées générales qui pourront concourir, selon les prévisions ci-dessus, à la nomination du premier Conseil, seront convoquées, dans chaque pays, par le délégué qui représente actuellement les porteurs du dit pays.

"Lorsqu'il s'agira de pourvoir à une vacance dans le Conseil, l'assemblée des porteurs sera convoquée par le Conseil d'Administration.

"Dans l'un et l'autre cas, les assemblées seront tenues, conformément aux formes prescrites, par l'autorité qui les aura convoquées, et les Résolutions de ces assemblées seront limitées à l'objet qui en aura motivé la Convocation.

"Eu égard au nombre et à l'importance beaucoup plus considérable des titres Ottomans

détenus en Angleterre et en France, la présidence annuelle du Conseil sera dévolue, alternativement, pendant une période de cinq années, et d'après l'ordre établi par le premier choix du Conseil, aux représentants Anglais et Français.

"Dans le cas où cette situation viendrait à se modifier essentiellement après une première période de cinq ans le Conseil élira son Président.

"En cas d'absence ou d'empêchement temporaire du Président, et pendant la durée de cette absence et de cet empêchement, la présidence sera exercée par le Doyen du Conseil.

"Les membres du Conseil auront chacun une voix. Les décisions seront prises à la majorité des voix. En cas de partage, le Président aura voix prépondérante.

"La première réunion du Conseil aura lieu immédiatement après la nomination de ses membres.

"Deux mois après la publication du présent Décret, la présence de trois membres, régulièrement nommés, sera suffisante pour permettre au Conseil d'entrer en fonctions et d'expédier les affaires.

"Lorsque le Conseil se trouvera au complet, la présence de trois membres au moins sera nécessaire pour l'expédition régulière des affaires.

"Pendant la durée des vacances causées par des révocations de membres du Conseil, ou par d'autres causes, le Conseil conservera le droit de prendre toutes décisions, en conformité avec ses pouvoirs constitutifs.

"Le Conseil ne cessera de fonctionner qu'à l'extinction complète des emprunts auxquels s'applique le présent Décret.

"Art. 16. Le Conseil d'Administration aura l'administration, la perception, et l'encaissement directs, pour le compte des porteurs et par le moyen des agents relevant de son autorité, des revenus et autres ressources énumérés à l'Article §§ 8, 1, 2, 5, 6, 7, et 9, y compris la dîme des tabacs, dans les cas prévus aux §§ 5 et 6 du dit Article, sauf toutefois, quant à la dite dîme, l'obligation d'en rendre compte au Gouvernement et d'en verser annuellement au Trésor l'excédant au-dessus des £ T. 100,000 qui doivent remplacer le tribut de la Bulgarie, et éventuellement des £ T. 130,000 qui remplaceraient l'excédant des revenus de l'Ile de Chypre.

"Il aura également l'encaissement des £ T. 50,000 concédées sur le produit des droits du tombéki (§ 8 de l'Article 8) et des revenus mentionnés §§ 3 et 4 du dit Article.

"Le montant des Six Contributions Indirectes sera perçu en espèces conformément au Règlement en vigueur pour les Caisses de l'État ("Meskukiat Nizim Namessi") promulgué en date du . . . .

"Il réalisera la valeur des revenus et autres ressources concédés, et en appliquera le montant intégral, déduction faite des frais d'aministration et de recouvrement, au service des intérêts et de l'amortissement des obligations prévues dans la Convention ci-annexée du . . . . et de la dette établie par l'Article 3, conformément à la répartition adoptée.

"Le Conseil aura le droit d'affermer ou de donner à bail à des tiers l'un ou l'autre des revenus concédés; mais, dans ce cas, il restera directement responsable envers le Gouvernement Impérial.

"Le Conseil nommera un Directeur-Général de l'Administration, qui aura sous l'autorité du Conseil, la gestion des affaires. Il représentera le Conseil vis-à-vis des tiers pour l'exécution des décisions, et exercera au besoin toutes les actions judiciaires, sauf à se faire délivrer les autorisations nécessaires pour comparaître devant les Tribunaux ou autres juridictions, soit comme demandeur, soit comme défendeur, au nom de l'Administration des Revenus Concédés.

"De même le Conseil nommera et révoquera les autres employés de l'Administration des Revenus Concédés.

Les dits employés seront considérés comme fonctionnaires de l'État, dans l'exercice de leurs fonctions. Le Gouvernement devra prendre en considération bienveillante toute recommendation du Conseil quant à leur rang, avancement, et promotion dans la hiérarchie Ottomane.

"Quant aux impôts, contributions, et taxes, l'Administration des Revenus Concédés et de ses employés sera traitée sur le même pied que les Administrations de l'État et de ses employés.

"Quant aux employés de l'État qui entreront au service du Conseil d'Administration, il sera statué sur leur situation par un Règlement spécial. Les dispositions de ce Règlement seront également applicables aux employés de l'État qui se trouvent déjà au service de l'Administration des Six Contributions. Il reste entendu que ce Règlement ne saurait porter atteinte au droit du Conseil de nommer et de révoquer tous les fonc-

tionnaires de cette Administration, droit qui est déjà exercé en fait par l'Administration actuelle.

"Quant aux indemnités et autres débours extraordinaires prévus dans l'Article XIII de la Convention du 22 Novembre, 1879, ils passeront à la charge du Conseil.

"Le Gouvernement donnera au Conseil, dans l'exercice de son Administration, toutes les assistance générales compatibles avec les institutions publiques existantes, et, pour la répression de la contrebande, il s'engage à appliquer contre elle les pénalités édictées par les lois.

"En cas de retard dans les versements de la redevance de la Roumélie Orientale, le Conseil aura le droit de s'adresser à la Sublime Porte et de provoquer les mesures nécessaires pour la rentrée des arriérés.

"Le Gouvernement accordera à l'Administration du Conseil la protection militaire indispensable à la sécurité de son siège principal et de ses services locaux.

"Le Gouvernement continuera au Conseil l'usage gratuit des locaux qu'il a déjà mis à la disposition de l'Administration actuelle des Six Contributions Indirectes.

"Les timbres mobiles et papiers timbrés nécessaires pour le service des opérations du Conseil seront fournis par le Gouvernement sous la surveillance et aux frais de ce dernier.

"Indépendamment des employés de l'État chargés de la police et de la surveillance des services à exercer par l'État, le Conseil pourra nommer des employés auxiliaires ne relevant que de lui-même, ainsi que des inspecteurs secrets, chargés de prévenir les fraudes, qui devront être punies conformément aux lois.

"Les surveillants secrets de l'Administration recevront, à l'instar de ceux du Gouvernement, la partie usuelle des amendes et des doubles droits à payer par les contrevenants.

"Le Conseil arrêtera les Règlements concernant les délibérations et l'expédition des affaires.

"Il signera les obligations à émettre, conformément à la Convention ci-annexée du . . . . . pour acquitter les créances des Signataires de la dite Convention, indiquée à l'Article 10.

"Art. 17. Le Conseil d'Administration sera tenu de dresser et de présenter au Ministère des Finances, deux mois avant le commencement de chaque année budgétaire, un budget indiquant les prévisions du Conseil sur les recettes et dépenses, notamment sur les sommes qui devront être appliquées, dans le courant de la dite année, au service des obligations prévues dans la Convention ci-annexée du . . . . . et au service de la dette établie par l'Article 3.

"Ce budget devra être conforme aux Règlements existants, et sera approuvé par le Gouvernement Impérial dans le délai de deux mois.

"Il sera inséré au Budget Général de l'Empire.

"Le Ministère des Finances remettra au Conseil un extrait certifié du susdit budget, concernant l'Administration des Revenus Concédés.

"Le Conseil sera tenu de présenter tous les mois, d'après les renseignements qu'il aura reçus, et selon les règles et les usages en vigueur au Ministère Impérial des Finances, un état indiquant toutes les recettes et les encaissements généraux opérés sur les revenus et ressources en question, ainsi que les paiements effectués dans le même mois.

"Le Conseil aura, de même, à soumettre à l'expiration de chaque année d'exercice, son compte général définitif au Ministère sus-énoncé.

"Le Conseil présentera, chaque semestre, au Ministère des Finances, le compte nécessaire indiquant les envois faits en Europe, à valoir sur le service de la dette établie par l'Article 3, et les paiements effectués aux porteurs.

"Le Conseil fera publier tous les mois, dans toutes les capitales où aura lieu l'enregistrement, un état sommaire des recettes et des paiements effectués pendant le mois précédent.

"Cet état indiquera:—

"1. Le montant des recettes réalisées sur les produits de chacune des Six Contributions Indirectes, ainsi que de chaque autre revenu concédé aux porteurs.

"2. La totalité des paiements effectués pour les frais généraux d'administration.

"3. Les sommes versées à valoir sur les obligations prévues dans la Convention ci-annexée du . . . . .

"4. Les fonds transmis en Europe pour le service de la dette mentionnée Article 3.

"5. Et l'encaisse existant à Constantinople et en province, à la fin du mois.

"La publication du Tableau mensuel aura lieu au plus tard, un mois après l'expiration du mois auquel il se rapporte.

"Le Conseil publiera également, tous les ans pour l'information des porteurs, un compte-rendu de son Administration.

"Art. 18. L'Administration des Revenus Concédés sera soumise au Contrôle du Gouvernement Impérial. Ce Contrôle s'exercera par un Commissaire et par des Contrôleurs, nommés par le Gouvernement et accrédités auprès de la dite Administration.

"Le Commissaire Impérial devra être invité à chaque séance du Conseil.

"Il y siègera avec voix consultative.

"Toute communication du Gouvernement au Conseil et réciproquement sera faite par l'entremise du dit Commissaire.

"Le ressort de chaque Contrôleur sera déterminé par le Gouvernment Impérial.

"Les Commissaires et chaque Contrôleur, dans son ressort, auront le droit de prendre connaissance de la gestion du Conseil et de ses employés, d'examiner les livres et autres documents y relatifs, et de procéder à la vérification des Caisses, en présence d'un délégué du Conseil, à Constantinople, et des Chefs de Service, en province; mais ils ne pourront, dans aucun cas, s'immiscer dans l'Administration. Le Conseil à Constantinople et ses employés en province—ces derniers en présence des Chefs des Services locaux qui ne peuvent pas refuser leur assistance—seront tenus de donner au Commissaire et aux Contrôleurs du Gouvernement tous les renseignements nécessaires pour l'exercice du Contrôle.

"Les traitements et frais de voyages des Contrôleurs, ainsi qu'en général les charges résultant de la police et la surveillance des services à exercer par l'État, seront supportés par le Gouvernement Impérial. Le traitement du Commissaire sera à la charge du Conseil.

"Art. 19. Toute contestation qui viendrait à surgir entre le Gouvernement Impérial et le Conseil, au sujet de l'interprétation et de l'exécution du présent Décret, sera soumise au jugement de quatre arbitres nommés de part et d'autre, lesquels arbitres éliront un sur-arbitre pour les départager, le cas échéant.

"Le jugement arbitral sera souverain et sans appel.

"Art. 20. Dans le cas où le Gouvernement casserait ou suspendrait l'arrangement présent, les porteurs rentreront dans la plénitude de leurs droits établis par les contrats originaux d'emprunts, en tant que leurs titres n'auront pas encore été amortis, en conformité avec les dispositions du présent Décret.

"Les sûretés aux porteurs par les contrats originaux d'emprunts resteront affectées pour la sauvegarde des dits droits, jusqu'à ce que les emprunts, auxquels sont affectées ces sûretés par les contrats respectifs, soient complètement éteints en conformité avec les dispositions du présent Décret.

"Art. 21. Le Gouvernement Impérial communiquera sans délai aux Puissances le présent Décret, qui entrera en vigueur à partir de la date de sa publication, excepté en ce qui concerne l'Administration des Revenus Concédés, laquelle commencera à partir du $\frac{1}{13}$ Janvier, 1882.

"Dans le cas où les membres du Conseil d'Administration ne seraient pas réunis à Constantinople le $\frac{1}{13}$ Janvier, 1882, l'Administration actuelle des Six Contributions Indirectes continuera, après cette date, à administrer les dites Contributions au nom du Conseil, jusqu'à ce que ce dernier soit prêt à entrer en fonctions, afin que, de cette manière, il n'y ait point de lacune dans la marche de l'Administration des Revenus Concédés."

No. 292.

Earl Granville to Sir E. Thornton.

E
(No. 460.)

Foreign Office, December 29, 1881.

Sir,

THE Russian Ambassador paid me a visit here to-day, for the purpose of renewing to me his representations as to the attitude of Her Majesty's Government with regard to the claim of the Russian Government on the Bulgarian tribute as a part security for the Turkish war indemnity.

I told his Excellency that both the Russian Government and the Porte had addressed us on the subject, and had invited an expression of opinion. I had, in consequence, consulted the Law Officers of the Crown, and Her Majesty's Government had stated what they were advised was the correct construction of the Treaty. They had done so in no unfriendly or obstructive spirit, and with no desire to exclude Russia from whatever sources were properly open to her for the payment of her claim.

Prince Lobanow observed that we were the only one of the Powers signatory of the Treaty of Berlin who held this view.

I asked his Excellency if he was certain of this fact?

He said he could not formally assert it, but that such was his impression.

I then said that Her Majesty's Government had adopted as their policy the carrying out of all the conditions of the Treaty of Berlin according to their proper construction in concert with the other Parties to the Treaty. We made no pretension to settle the matter by our own authority; and, if we found ourselves alone in our opinion, we should be very ready to listen to any reasons or arguments which might be urged on the other side, and to give them full weight. I added that I had referred to the Law Officers the substance of his last conversation with me on the 16th instant, but had not yet received their observations on it.

I have, &c.
(Signed) GRANVILLE.

No. 293.

The Law Officers of the Crown and Dr. Deane to Earl Granville.—(*Received December* 30.)

My Lord,

Temple, December 30, 1881.

WE are honoured with your Lordship's commands signified in Lord Tenterden's letter of the 17th instant, stating that he had the honour to transmit to us a *pro-memorid* communicated to your Lordship by the Russian Ambassador, stating the views of the Russian Government with regard to their claim on the Bulgarian Tribute, as security for the payment of the Russian war indemnity, and the position in which Russia stood as regards the other creditors of the Porte, as set forth in Protocol No. 11 of the Congress of Berlin.

That Lord Tenterden was directed by your Lordship to request that we would have the goodness to inform you, at our earliest convenience, whether the arguments contained in Prince Lobanow's *pro-memorid* in any way altered the opinion given by us in our Report on that subject of the 13th instant, which was returned therewith with the previous papers.

That, as we were aware, the question of the fixing of the Bulgarian Tribute payable to the Porte, and of the proportion of Ottoman Debt to be borne by the Principality, formed the subject of the IXth Article of the Treaty of Berlin, and the discussions thereon in Congress were contained in Protocol No. 7, pp. 83-85 of the accompanying papers, and at pp. 162, 164, 165, Protocol No. 11, were recorded the proceedings and declarations with regard to the Russian war indemnity.

We are also honoured with a further letter from Lord Tenterden, stating that the Russian Ambassador desired the following paragraph to be added between the last paragraph and the last but one of the *pro-memorid*:—

"Ce droit est pourtant clairement déterminé par le Traité de Constantinople, conclu entre la Russie et la Turquie en 1879, postérieurement au Traité de Berlin."

In obedience to your Lordship's commands we have the honour to report—

That the arguments contained in Prince Lobanow's *pro-memorid* in no way alter the opinion given by us in our Report of the 13th instant.

We would desire to point out, however, that the claim by Russia to have assigned to her, as security for the war indemnity, specific revenues belonging to the Turkish Government, is quite distinct from the question (which is also dealt with in the *pro-memorid*), whether the payment of this indemnity is to be postponed to the payment of prior creditors, who had only a general hypothecation of the whole of the Turkish revenues. The former claim appears, as we have pointed out, to be excluded in express terms by the Protocols of the Berlin Conference. The position that Russia is not to be postponed to creditors having no specific hypothecation, but may rank *pari passu* with them, is open to more argument. We have already drawn attention to the fact that, from the language used by the Plenipotentiaries at Berlin, taken as a whole, the fair conclusion appears to be that it was agreed that the prior creditors were not to be prejudiced by Russia's claim to the war indemnity. But the Russian view on this point may be supported by some plausible arguments, and we would suggest that in any discussion of the question this distinction should be borne in mind.

We have, &c.
(Signed) HENRY JAMES.
FARRER HERSCHELL.
J. PARKER DEANE.